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"Royal Commission on, 1937"

ROYAL COMMISSION ON DOMINION PROVINCIAL RELATIONS

Saskatchewan

1

^{Hearings}
REPORT OF PROCEEDINGS

[Saskatchewan]

Vol. 1

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REGINA, SASKATCHEWAN, DECEMBER 9, 1937

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ROYAL COMMISSION ON DOMINION-PROVINCIAL RELATIONS

REGINA, SASKATCHEWAN, DECEMBER 9, 1937

The Royal Commission appointed to re-examine the economic and financial basis of Confederation and the distribution of legislative powers in the light of the economic and social developments of the last seventy years, met at the Legislative Buildings, Regina, Saskatchewan, on Thursday, December 9, 1937, at 10.30 a.m.

PRESENT:

HON. CHIEF JUSTICE NEWTON W. ROWELL....	CHAIRMAN
DR. JOSEPH SIROIS)
JOHN W. DAFOE, Esq.)
DR. ROBERT ALEXANDER MacKAY)
PROFESSOR HENRY FORBES ANGUS)
) Commissioners

Commission Counsel:

Louis S. St. Laurent, Esq., K.C.

Secretariat:

Alex. Skelton, Esq.	Secretary
R. M. Fowler, Esq.	Legal Secretary
Wilfrid Eggleston, Esq.	Assistant to the Secretary
Adjutor Savard, Esq.	Secrétaire Français

FOR THE SASKATCHEWAN GOVERNMENT:

Hon. W. J. Patterson	Premier
Hon. T. C. Davis	Attorney General
F. C. Cronkite, Esq., K.C.	Dean, College of Law
J. A. Taylor, Esq.	
T. A. Lax, Esq.	
G. W. Myers, Esq.	

Legislative Buildings,
Regina, Saskatchewan,
December 9, 1937.

MORNING SESSION

The Commission met at 10.30 a.m.

ADDRESS OF WELCOME

HON. W. J. PATTERSON (Premier of Saskatchewan):

Mr. Chairman, and Members of the Commission, on behalf of the government of Saskatchewan and the people of this province I am very pleased to extend to you a sincere and hearty welcome to the province of Saskatchewan, and that welcome, let me assure you, is extended to you personally as distinguished Canadians, as well as in your official capacity as members of this Commission.

The Province of Saskatchewan was one of those provinces which pressed for an investigation into the relationship between the Dominion and the provinces, and for that reason we are particularly pleased to see this body appointed and functioning. We are also pleased to see that the terms of reference are wide, and that they will afford an opportunity for the most intensive study of the many and difficult problems that face us at this time.

May I express to you, Mr. Chairman, and to the Members of this Commission the confidence we have in your membership, in their capacity, their interest in their work, and their ability to perform the duties which have been imposed upon them. We feel that you are sincerely interested in the work which has been allotted to you, and that you will carry out your duties without bias or prejudice and that, with us, you are interested only in the development of a united Canada.

I would not like you to think, gentlemen, that the table which we have allotted for your use is a piece of cast-off furniture or that it has been presented as an evidence of our poverty in this province. It has been placed

here because of its particular historic interest, and we believe that it is singularly appropriate on this occasion because, gentlemen, this table is the very one at which the Fathers of Confederation sat when they met in Quebec in 1864.

It might be said that the table in some respects resembles the constitution which was drafted at that time, for it is of sound and sturdy construction and represents the very best craftsmanship of the day in which it was made. It has given excellent service, it is still in use and will continue to be used, but at the same time we must agree that it would be the better for some renovation and repairs, which would increase its strength and perhaps bring it more into line with present day ideas of what a table should be.

How this table came to Saskatchewan may be of some interest to you. When the first North West Territories Council was established, the federal government at that time, as probably they should do still, provided the total cost of administration, and they supplied the furniture to equip the Council offices. This table had been moved from Quebec to Ottawa when the provisional government which was set up at Quebec was transferred to the capital of the Dominion, and it was among the pieces of furniture that were shipped from Ottawa to Battleford for the use of the Territorial Council. From there it came to Regina when the Council was transferred here, and it passed to us at the time the province was established.

I must confess that the table has not received the very best of treatment--I do not say at the hands of the province---but it did not receive the very best of treatment in the earlier days because some six feet of it were removed. The offices that were provided for the Council in the Leg's

relative Assembly were on rather a small scale, and the table had to be cut down to fit.

We realize, Mr. Chairman, and Members of the Commission, the magnitude and importance of the task which has been committed to you. We appreciate your competence to further the ideas and the ideals of those who first used this table, and for that reason we feel that it is fitting and significant that you should be gathered around it at this time.

We speak in no spirit of disrespect, nor do we underestimate the ability, the foresight and the statemanship of the Fathers of Confederation who at one time sat around this table, when we suggest that the constitution that they drafted stands in need of revision and modification. There has been a tremendous development of social and political ideas in the ensuing seventy years. During that period there has been the settlement of great areas of the Dominion; there has been the creation of new provinces which have emphasized the geographical divisions into which Canada is to-day divided and which nature has imposed upon us, and together with this there has been an economic and an industrial development following upon certain federal policies. All these combined have created conditions which the statesmen of 1867 could not possibly^{have} foreseen. That inequities should have arisen is inevitable, and to ask that these should, so far as possible, be removed and corrected does not appear to us to be an unreasonable request. In fact, we feel that to do so is absolutely necessary in the best interests of all Canada and of all Canadians. I repeat again, that the performance of this task or any part of it is one of very great magnitude.

In preparing our case, gentlemen, we have endeavoured to do so, not from a provincial or local point of view,

but rather as Canadians desiring to do what is best for Canada. During the past year this province has experienced unusual difficulties, and these have created special problems, which, of course, will be referred to in the brief which we are presenting. But we have not prepared our case on the basis that the conditions of the present years are normal or average. We have rather attempted to deal with the situation on the basis of what might be regarded as average or normal over a term of years.

Much has been said of your responsible task, and all that is true; but it is equally true that a great responsibility rests upon this province of Saskatchewan and the other provinces that will appear before you. It is our duty to submit to you a full, a fair and an unprejudiced case, giving you all the information you may require, so that you may have the opportunity of dealing with the subject matter of your duties in a proper and an impartial and an intelligent way. The Government of Saskatchewan wishes to assist you in every way possible and is anxious and willing to render you every assistance in our power.

Naturally all the members of the Government have been interested in the preparation of the brief which we shall present to you; but its compilation and its preparation has been the particular duty of Mr. Davis, our Attorney General. He will present the case on behalf of the government. The various Ministers and the members of the public service will at all times be in attendance to assist the Commission, and particularly when matters connected with their particular departments are under review. We hope that whether you agree with the arguments we shall put forward or not, you will find the brief which we submit an intelligent, an informative and a reasonable one. To say

anything further now would only be to anticipate what will be found to be more fully stated in the brief i'self, and I would now ask you for permission to read into the record the Foreward which appears on the first page of our brief.

SUBMISSION BY

THE GOVERNMENT OF SASKATCHEWAN

Foreword

by

Hon. W. J. Patterson, Premier

"The Government of the Province of Saskatchewan, fully appreciating the magnitude and importance of the task undertaken by the Royal Commission appointed by the Government of Canada to inquire into Dominion-Provincial relations, has devoted a great deal of thought and study to the preparation of its case, and in so doing has kept in mind certain fundamental facts and conditions.

We appreciate that Canada is a vast country, covering approximately one-half of the continent of North America, with a population meagre in comparison with the extent of its territory. We further appreciate the fact that the Dominion is divided naturally into definite geographical areas with diversity of economic interests. These diversities make it difficult for Federal policies to apply with equal benefit to all sections of the nation.

This situation creates problems which require the highest degree of statesmanship if a united Nation is to be developed and maintained. We realize that Confederation was established for the good of all Canada and that each Province must be prepared to make its contribution to the common good. We feel, however, that successful operation of a Federated Union must take into account the physical and economic conditions exist-

"ent within its component parts and that there should be a sufficient flexibility in the relationship between Dominion and Province to equalize, as far as is practically possible, the local advantages which any Province enjoys or the natural handicaps under which it functions. In the preparation of its brief the Government of Saskatchewan has attempted to outline its conception of Saskatchewan's place in Confederation, the possibilities of the Province, and the handicaps which it suffers by reason of its location and the physical conditions which apply to its basic industry of agriculture. We believe it essential that a United Canada should be maintained as a part of the British Commonwealth of Nations, and are prepared to devote every effort to that end.

We ask our fellow citizens in other provinces in Canada to study the case of our Province as presented in this brief, always having in mind this national objective. We shall, on our part, give sympathetic consideration to the views of others.

We welcome the Commission to Saskatchewan, and desire to express our appreciation to the Government of Canada for its appointment. We know that the Commission will make an intensive study of the problems it is called upon to consider and feel assured that its findings and recommendations will form a basis for the removal of many of the inequalities which now exist within Confederation."

Mr. Chairman and gentlemen of the Commission, I again extend to you a hearty and a sincere welcome to the province of Saskatchewan.

THE CHAIRMAN'S ADDRESS IN REPLY

THE CHAIRMAN: Mr. Patterson and Members of the Government of Saskatchewan, may I on behalf of the members of the

Commission express our very sincere appreciation of the cordial terms in which you have welcomed us to Saskatchewan. It is indeed an interesting and significant fact that we are seated to-day around the table at which the Fathers of Confederation sat in 1864 in the City of Quebec when they settled the basis of Confederation. It is to be hoped that not only in our deliberations here but throughout Canada, public men in the Dominion and in all the provinces, as well as the members of the Commission, will be actuated by the same spirit of patriotism, broad-mindedness, toleration, and the desire to reach a common understanding which inspired the Fathers of Confederation and led to the Union of the provinces at that time. As I say, it is a happy augury for our sittings here that we are sitting around this historic table.

You have referred, Mr. Premier, to the changes of the past seventy years, and they have indeed been great in every field of human activity and in every line of human thought. It is therefore not an occasion for comment that a constitution framed in 1867 may require in some of its aspects, at least, a review after seventy years experience, having regard to the changes that have taken place in the social and economic conditions which existed at that time; and undoubtedly, here and elsewhere, among the provisions which will call for special consideration are those that determine the financial and economic relations between the Dominion and the provinces.

You have said that the task we are undertaking is a large one. It is indeed a very onerous one. We are very conscious of the seriousness and magnitude of the task which we have been called to undertake. We shall discharge our duties to the very best of our ability: that is all we can hope to do. I am perfectly sure that the

Commission will discharge its duties in that spirit which you so admirably expressed, Mr. Premier, that spirit of fair-mindedness and a desire to get at all the facts, and to reach solutions that will be fair to Canada as a whole and to the individual provinces. The problems, of course, ^{are} of the very greatest difficulty.

You have referred particularly to this province and its early history. I am particularly interested in that because I attended, as a spectator, the sessions of the old Legislative Council and Assembly in this province for four or five days in 1890, which were then being held out in the Northwest part of the city in the old Legislative Council building, I assume it was, when the struggle was going on for responsible government. The governor of the day was of the opinion that it was his duty to administer the revenues granted by the federal government, while he was prepared to take the advice of the Assembly as to the appropriation of the revenues raised by taxation, and the present Chief Justice of this province, Sir Frederick Haultain, was leading the opposition to the government of that day, led by the late Dr. Brett. That is just forty-seven years ago, within a few days, when I was here on my first visit to Regina.

Personally I have been more or less in touch with the West and western conditions from that day to this. From 1925 to the present time I have visited the West every year with the exception of last year, and I have therefore been more or less intimately in touch with conditions in this province. I know how you have suffered through the drought of the past seven or eight years. I remember that even in 1929 one was in danger of losing one's golf ball out on the golf course by reason of the cracks in the earth due to the extreme dry weather of that summer. I have driven

over the drought areas on more than one occasion when I have been here, and I know how you have suffered. I am sure we all feel it is perfectly magnificent, the courage and tenacity which the people of this province have displayed in dealing with the grave problems which have faced them, growing not only out of the depression and the low prices of agricultural products but also growing out of the drought from which you have suffered. We hope, however, as you yourself have expressed the hope and based this brief on the view that the conditions of the last few years would not continue to prevail, that more normal conditions will soon be re-established I am glad to hear that the rainfall this autumn is better than it has been for some few years past, and we all earnestly hope that one may soon again see around this city of Regina and on the Plains to the South and north those magnificent crops of wheat which have given Saskatchewan such a distinguished place not only in the agriculture of this country but in the agriculture of the whole world.

We thank you for your most cordial welcome. We are glad to be here and to proceed with our investigation.

HON. MR. PATTERSON: Thank you, Mr. Chief Justice. I will now ask Mr. Davis, our Attorney General to address you.

ADDRESS BY ATTORNEY GENERAL, HON. T. C. DAVIS

Hon. T. C. Davis (Attorney General, Saskatchewan): Mr. Chairman, and Members of the Commission, I presume my first duty is to file as an exhibit a copy of the brief of the province of Saskatchewan.

THE CHAIRMAN: That is in the two volumes?

HON. MR. DAVIS: There are certain volumes available to the members of the Commission which have been interleaved with blank sheets for the purpose of making notes, but the

one I am filing consists of only one volume.

MR. ST. LAURENT: That will be exhibit 34.

EXHIBIT NO. 34: Submission by the Government of Saskatchewan:
Brief, pages 1 to 434.

HON. MR. DAVIS: As the Premier has said, the government of this province has imposed upon me the duty and responsibility of presenting to this Commission the brief of the government and of the people of the province of Saskatchewan with relation to the matters that are under review by the members of the Commission. As he has stated, this brief has been prepared by many hands, and to them I shall refer in a moment.

We have seated on the floor of this Assembly to-day representatives of the executive of the Urban Municipal Associations of the province of Saskatchewan and representatives of the Rural Municipal Associations of the province of Saskatchewan; representatives of the School Trustees Associations of the province, and representatives are here or will be here of the Teachers Federation of the province, and representatives of organizations of a similar character; and it is suggested that at the conclusion of the presentation of the brief of the province these bodies be given the opportunity of making their representations. As a matter of fact, it may be that as we come to the different sections of the brief particularly pertinent to these bodies, reference may be made to them, and we may in that way hear their representations and clean up with respect to particular matters as we go along. But, of course, we can decide on that as we proceed.

Before I proceed with the actual reading of the brief and deal with it, I might be permitted to make a few observations with respect to its preparation and subject matter.

The Government of the Province of Saskatchewan, as the Premier has said, in conjunction with the Government of Manitoba, has been largely responsible for the appointment of this Commission. It was the activity of these two governments in particular, urging the Government of Canada, which resulted in the appointment of this Commission, and as the Premier has said, we appreciate very much that the federal government met our wishes and appointed this Commission to investigate the matters referred to in the order in council setting it up. As the Premier has also said, we are gratified at the personnel of the Commission, representing as it does the different geographical divisions of Canada, and representing practically every important section of the national life of this country.

We have arranged, Mr. Chairman, to have these meetings held in this Assembly hall for various reasons, and the first is that we desire, with all due respect, to make the meetings of this Commission as informal as possible, and as we proceed we would like to see it develop, if that is proper, into more or less of a round-table conference at which we may discuss the various matters raised in this brief.

Secondly, we desire to hold the meetings here because it was convenient for all the members of the Government, who are to be found within their offices in this building, particularly the heads of the various departments of the government, with the material they have at their disposal, which can be readily made available at any time to the Commission if it desires to have it.

We do not want you to judge, as the Premier has said, the finances of our province by the condition of the table at which you sit. On the other hand, we do not want you to judge the financial condition of this province by the

splendour of the surroundings in which we are meeting. I do not know that the cost of the Parliament buildings is a subject for discussion or comment before your Commission, but I might be permitted to say that this building cost in the neighbourhood of two to two-and-a-half million dollars.

THE CHAIRMAN: You seem to have got better value for your money than other provinces.

HON. MR. DAVIS: In relation to the Parliament buildings in the adjoining Province of Manitoba, it has been the subject of comment in the press of Saskatchewan that it cost more to dig the basement of the Manitoba Parliament buildings than to complete the whole parliament buildings in the province of Saskatchewan. I have not a great deal of knowledge of the value or cost of the Parliament buildings in the province of Ontario but I am told that the majority of the activities of the government of Ontario are carried out in an Administration building that cost the people of that province some twelve million dollars of their money. If that is correct, we would not aspire at any time in Saskatchewan to the splendour of such surroundings as that.

THE CHAIRMAN: I am afraid that is an error.

HON. MR. DAVIS: I may be a million or two out, Mr. Chairman.

THE CHAIRMAN: I would think several millions.

HON. MR. DAVIS: As to the presentation of the brief itself, it is not my intention to present the whole case irrespective of the persons who prepared the different sections. As I shall indicate when I read my Prefatory Note, I have not prepared the brief; it has been prepared by various persons in the province under my direction, at the request of the Government of this province, and I have noted that fact in my introductory remarks, as will be seen when I read them in a moment or two.

I would suggest, Mr. Chairman, that we deal with the brief section by section. Some parts of the brief it may not be necessary to read, and with respect to other parts it may be necessary for me to make comments as I proceed.

May I say this, that I am appearing here, of course, not as counsel for the province but as a Minister of the Crown, and naturally as such I am subject to examination and cross-examination, and so far as it lies within my power I am prepared to answer any questions that may be directed to me. We have here all the officials, with technical knowledge pertaining to the different parts of this brief, and they will be prepared at any time to answer any questions that may be directed to them either by Counsel for the Commission or by the Commission itself. Naturally all the things you will want to know with respect to the affairs of the province of Saskatchewan are not and could not be within this brief, and I am sure you will want to know many things that are not to be found within its four corners, but we shall be glad, as I have said, to answer any questions which the members of the Commission or Counsel for the Commission may have in their minds respecting the affairs of the government or people of the province of Saskatchewan.

The brief will disclose the condition of affairs in this province in so far as the government is concerned and also in so far as the people of the province of Saskatchewan are concerned. We have covered both in the brief which we have prepared. I am sorry to say that the picture we shall present to you may be a rather drab and dark one, but we felt that it was our duty to present to you conditions as they actually exist, and we have proceed accordingly. We felt that we should fully and frankly disclose the position of the government and the people of this province, and we

have attempted to do so in this brief.

Might I say, Mr. Chairman, that I have noted within the last few days that a prominent Toronto financial newspaper, in its last week's issue, made editorial comment on the case presented by the Province of Manitoba and suggested that apparently the west was proceeding to base its claims before this Commission on a "Share The Wealth" basis, that our suggestion was that we should share with those who were more fortunate in the Canadian Confederation than we are.

May I comment on that by saying that so far as Saskatchewan is concerned, our complaint is that for too long the national policies have made us share our wealth with other sections of the Dominion of Canada. It is not our desire to enter into controversy over newspaper comment except to say that unquestionably out of these hearings will come a very important and far-reaching report. That report, however, we all recognize will be merely the first step. The next step will be the implementing of its provisions; that will require legislation, and legislation by the parliament of Canada, and that legislation will only ensue if there is a favourable public opinion making it possible for the Parliament of Canada to enact such legislation. Public opinion, as we all know, is largely formulated by press reports, and I think that the press of Canada have at the moment in their hands the largest job that has ever been given to them, and that is to present to the people of Canada, and particularly eastern Canada, to the people of the Province of Ontario and the Province of Quebec, the viewpoint of the west, and when it comes to the sittings of the Commission in the east to present to the people of the

west the eastern viewpoint with respect to their problems. Knowing the press of Canada as we know it, and particularly the press of the province of Saskatchewan, we are absolutely confident that they will do their share as good Canadians to see that the respective viewpoints are expressed correctly to the east and to the west.

We recognize that politically, the province of Ontario and the province of Quebec, the two large provinces of this Dominion, can if they want to control the central parliament of Canada; that is, if they act in unison together they can control the parliament of Canada. They will have a great deal to say in the ultimate with respect to whether or not the report of this Commission shall be implemented by legislation passed by the Parliament of Canada. We want, therefore, the people particularly of the province of Ontario and the province of Quebec to study the brief that is submitted to this Commission by the government of this province, and in particular to study the report that will be made by this Commission relative to the conditions that you find out here; and we ask the people of Ontario and Quebec to make a careful study of your report before definitely formulating their opinion as to what should be done as a result of the report you will make.

We in this province of Saskatchewan do not suggest any "Share The Wealth" policy. We are not asking for any equality from the rest of Canada; we are not asking for any handouts on the part of the rest of Canada. All we ask is that we have equitable treatment in the federation of the Canadian provinces in the Canadian Confederation.

We want the people of Canada to approach this problem from two angles. We believe it is important that Canada remain united and a British country, and that we should be

prepared as provinces to give and take so that all can live within the Canadian Confederation.

We believe, too, that aside from all patriotic factors, the west is absolutely essential to the rest of Canada, and all that one needs to do in order to realize the truth of that statement is to size up the economy of the Dominion of Canada. The whole national life of Canada has been developed on an export basis. The national life of this country and the utilities of this country have been fashioned and built up on an export basis, and that export basis has largely come into being as a result of the production of wheat in these western provinces. If it was not for western Canada and the production of wheat in these western provinces, it would not have been necessary to have two great trans-continental railway lines spanning this land; it would not have been necessary to have the great canals of eastern Canada; it would not have been necessary to have the great harbours we have both on the Atlantic and the Pacific; it would not have been necessary to have the great grain storage facilities at the head of the Lakes. All these things are here in Canada as a result of the fact that the economic life of this country has been built on an export basis, and that has been largely as a result of the production of wheat in western Canada. If we withdrew the west from the Dominion of Canada or if the west ceased to be and was not here, if it withdrew from the economic life of this country, then the whole national life of Canada would collapse. Therefore the affairs of this nation must be so regulated, if Canada is to continue, that the people of the province of Saskatchewan may have an equal opportunity with their fellow citizens elsewhere in Canada to exist and continue to live and enjoy a similar standard of life as

is enjoyed by our fellow citizens elsewhere in this country.

It is in this spirit that we approach this Commission, prepared to give and take with the rest of Canada where that is necessary in order that out of the labours of this Commission may come those changes which are essential to make a united Canada.

Perhaps I might now be permitted to read the Preparatory Note in the brief, which contains an acknowledgment of the efforts of those who have been engaged in its preparation:

PREFATORY NOTE

By The

ATTORNEY GENERAL OF SASKATCHEWAN

"When the Government of Canada announced the appointment of the Royal Commission, to which this Brief is being submitted, the Government of Saskatchewan decided at once that the case of the Province should be presented and I was requested, in my capacity as Attorney General, to take charge of the preparation of a Brief. Of necessity, one in charge of a Department of Government in Saskatchewan has little time for detailed work, consequently it was impossible for me to do more than direct the general policy covered by the Brief, and the actual preparation had to be left to others.

As a first step I consulted with Dr. W. C. Murray, then President of the University of Saskatchewan. I advised him that I would have to look largely to members of his staff to take charge of the actual preparation of the Brief, and I requested the services of Mr. F. C. Cronkite, K.C., Dean of the College of Law, and Professor G. E. Britnell, of the Department of Political Economy. I appreciate the fact that President Murray and the Board of Governors of the University

"readily acceded to my request, and at the outset I desire to thank them and acknowledge their assistance in this regard. I may say that I also had the privilege of discussing the whole matter of the submission of the Brief with President Murray, and I appreciate his beneficial advice and assistance.

Both Dean Cronkite and Professor Britnell have given virtually their whole time, since the announcement of the appointment of the Commission down to the present,, to the preparing of this Brief, and I want to acknowledge publicly the very great assistance that they have been in the preparation thereof.

Naturally, we had to look for assistance in innumerable places, in the gathering of data included herein. In the preparation of various sections of the Brief, every Minister of the Government, and every Deputy Minister has been most helpful, and the same thing applies throughout the entire Public Service of the Province. One only appreciates the strength of the Civil Service of Saskatchewan when one is in contact, as I have been, with practically every branch of it, in connection with the preparation of this Brief. One cannot but appreciate how many excellent men and women are giving of their talents to the service of this Province, and, in the general case, with salaries not commensurate with the services being rendered.

It is rather difficult, and possibly unfair, to pick out individuals, but I think I would be remiss in this acknowledgement if I did not say that I feel a special debt of gratitude to Mr. S. P. Grosch, K.C., Chairman of the Local Government Board of Saskatchewan, Mr. A. Perring Taylor, C.A., Deputy Provincial Treasurer, Mr. J. A. Taylor, C.A., Superintendent of Revenue, Mr. Thomas Lax, F.C.A., Provincial Auditor, Mr. Louis

"Jacobs, F. C.A., of the Department of Municipal Affairs, Mr. W. J. Hansen and Mr. Albert Simmons of the Department of Agriculture, and Mr. Samuel Quigg, K.C., of my own Department."

I wish to add to this paragraph of acknowledgments that the section on railway freight rates included in this brief was prepared by W. H. McEwan, K.C., of the City of Regina; and G. H. Yule, K.C., of the City of Saskatoon, also gave very valuable assistance in the preparation of this brief, particularly with regard to the section on natural resources. Their names were inadvertently omitted. Continuing:

"I also want to acknowledge the help and assistance received from Mr. A. Hayworth, K. C., Counsel for the Saskatchewan Power Commission, Mr. A. S. Sibbald, K.C., in charge of the Voluntary Debt Adjustment scheme in effect in the Province, and Professor William Allen of the University of Saskatchewan.

There are others who have also given willingly of their ability and service, and it may be that I have neglected to mention some of them, and if I have done so, they may take it that it is merely the result of oversight.

This matter does not concern the Commission, but as this Brief will be a matter of public record, and will be referred to in the years to come, I think it only fitting and proper that there should be embodied herein some recognition of the splendid help given by all those who have been engaged in its preparation."

We will now proceed with Part I, Mr. Chairman. Part I is Introductory and it sets out the philosophy underlying the preparation of this brief and the recommendations contained in it. It is more or less the background of the brief in its entirety. I should like to read it to the Members of

the Commission.

PART I INTRODUCTORY

"The appointment of a Royal Commission on Dominion-Provincial relations has come at a period when it is evident to every thinking person in Canada that we do not live in a perfectly balanced federation. Stresses have been emphasized by the serious economic depression from which Canada is just emerging. In this province, in particular, as the result of a combination of depression and drought, coupled with certain national policies which cannot be regarded as other than oppressive, the financial burden of government has become well-nigh insupportable.

The terms of reference contained in the Order in Council of August 14, 1937, indicate that a very sweeping inquiry was intended. Therein one finds a wholesome recognition that there have been social developments since 1867 and that these developments have involved the growth of governmental responsibilities entailing expenditures of great magnitude. It may also be said of the terms of reference that although the question of governmental finance is set down as a matter for primary consideration, this consideration is to be on the basis of the public welfare."

That is ^{an} important sentences in relation to the submission which the government of Saskatchewan will make.

"In this spirit the Government of Saskatchewan will make a submission to the Commission, with the plea that the terms of reference may receive a liberal interpretation. For the first time there is presented the opportunity of an effective examination of the long-term economy of

"Canada and the provinces. For the first time there is presented an opportunity to examine the effect of national policies upon the economy of the western provinces. It will be most unfortunate for Canada as a whole if fundamental weaknesses in the economy of the western provinces, and in particular of Saskatchewan, are ignored in the belief that prosperity will be assured with a return of normal crop conditions.

FUNDAMENTAL CONCEPTS

Remedial measures can be intelligently considered only if there is some agreement on fundamental concepts of political philosophy, some agreement as to a philosophy of life from which political action may develop. This does not mean that a dissertation on political philosophy is called for in this submission or that such a dissertation would be of the slightest value to the Commission.

It is submitted, however, that certain considerations are of fundamental importance and should be stated at this point. In making representations on behalf of the Province of Saskatchewan the following propositions, therefore, will be assumed to be true:

1. That a federation must be regarded not merely as an historical category, but as a device for advancing the lives of the people living therein.
2. That the activities and resources of government must be employed to ensure that no person shall lack the necessities of life.
3. That insofar as it is recognized as sound political policy to provide social services, there is, in a union such as ours, where such commanding powers are given to the central authority, an obligation upon all Canada that such services

"shall be available to every person within the federation.

4. That inasmuch as the federation exists for the good of all, there is an obligation on the part of all Canada to see that all persons have a reasonable opportunity; and that this obligation becomes more definitely an obligation of the Central Government if policies of that government have operated to the disadvantage of any section.

5. That for economy of administration and for appreciation of local needs many social services are better administered by local authorities."

So far as these five reasons are concerned, the first two are not subject to any argument. The other three will be dealt with. In fact, the whole brief is prepared in the light particularly of the propositions contained in paragraphs three, four and five:

"These propositions are definitely adopted as a basis for this submission. Obviously they are not exhaustive and must be regarded as setting out merely a minimum of achievement in the way of political thought. In this connection for instance, it is not conceded that unanimity of thought must exist before proposition three becomes effective: a predominance of thought, in reasonable terms, should be sufficient. The disposition of revenues of the Central Government in the direction of securing a fuller life ought not to be hampered by a minority view. Moreover it is certainly not suggested that the activities of government should stop short with securing a standard of living no higher than the subsistence level.

The generalizations made above would seem to in-

"dicte an enlargement of the functions of the central government and without doubt a "centripetal tendency" has been exhibited in the history of most federations. But it must not be forgotten that the problem involves sectional differences--occupational, geographical, racial. With this thought in mind an attempt will be made to give a picture of the difficulties facing this province and to suggest certain readjustments in order to cope with them. It is hoped that these suggestions will appear as reasonable to all the provinces, working in co-operation for a united Canada."

That is the end of that section. I presume it is not necessary to discuss it at this time, but it may be at the conclusion of our case we may wish to come back to these propositions.

THE CHAIRMAN: I assume that you will be dealing with these propositions more in detail, and that we shall discuss some of them.

HON. MR. DAVIS: Yes, as we proceed. Then on page three of the brief is given an outline of the argument:

OUTLINE OF ARGUMENT

"Brief examination of the events leading up to the British North America Act will be undertaken. Certain terms of the enactment together with the experience of the federated provinces will also be considered in an endeavour to discover significant factors from which principles may be derived. It is hoped that these principles may be used as guides in suggesting readjustments.

It is then proposed to give an exact picture of the very serious financial position of the province, including the municipal institutions of the province. It will be submitted that little can be done to correct this situation

"by means of effecting economies without impairing essential services, already greatly curtailed. A fairly detailed study of the tax structure of the province will then be undertaken and it will be submitted that the tax burden is already too heavy when consideration is given to capacity to pay. Certain incidental recommendations will be made touching the matter of taxation.

All this will be a dark picture. It is then proposed to examine into the causes. The economy of the province will be studied. An attempt will be made to isolate the ravages of several years of drought and to indicate the fundamental long-term weaknesses of our economy. Certain particular disabilities such as the customs tariff and its burden upon the people of Saskatchewan, high transportation costs, high interest rates and our lack of a proper highway system will be considered.

Next will appear an examination of the social services presently rendered. A study of the inception and growth of these services will be offered together with a statement of additional services of which the people of the province stand in imperative need. It will be shown that the economic well-being of the people of Saskatchewan, on a comparative basis, is not high.

A brighter note will be introduced by showing that this province has made a considerable contribution to the economic life of Canada. It will likewise be shown that there is a reasonable prospect of such contributions in the futures.

Finally an analysis will be made of the foregoing in terms of rehabilitation, financial needs of the province and constitutional changes. This will be followed by certain recommendations, some of a general and some of a specific nature."

I do not suppose, Mr. Chairman, it is necessary that we should stop to discuss Part I, because it will be worked in throughout the entire brief.

THE CHAIRMAN: I think, as we come to them, it may be necessary to discuss some of the propositions there laid down.

HON. MR. DAVIS: Yes, Mr. Chairman. Then on page five we proceed to a brief examination of the main events leading up to the British North America Act. That is Part II:

PART II

CANADA AND THE PROVINCES UNDER

THE BRITISH NORTH AMERICA ACT

"In the preamble to the British North America Act, 1867, it is recited that the Provinces of Canada, Nova Scotia and New Brunswick had expressed a desire to be federally united, and that "such a Union would conduce to the Welfare of the Provinces and promote the Interests of the British Empire."

Those words are contained in the preamble to the British North America Act, that "such a Union would conduce to the Welfare of the Provinces and promote the Interests of the British Empire," and that is the contention that we will submit throughout the submission of this brief. I continue with Part II:

"The British Empire has become the British Commonwealth of Nations, a majority of the Provinces are dubious as to their present welfare, the British North America Act retains the terms of seventy years ago. It is not inappropriate that brief mention be made of the origin and nature of our federation.

"In any country organized as a federation the essence of the political system is the distribution of

"powers as between the general authority and the state or provincial authorities. As a consequence, a consideration of the intentions of the Fathers of Confederation in arranging the allotment of powers is of no little interest. Inevitably involved in such a consideration is the intended division of public revenues by which the respective governments were to sustain the functions thus assigned to them."

I think that that is of prime importance in the matters under consideration by this Commission, that "Inevitably involved in such a consideration is the intended division of public revenues by which the respective governments were to sustain the functions thus assigned to them." To continue in the middle of page five:

SIR JOHN A. MACDONALD AND THE QUEBEC RESOLUTIONS

"With the adoption of a series of resolutions by the Conference which convened at Quebec on October 10, 1864, the movement in the direction of a union of the provinces began to assume tangible form. The dominant figure in this movement was Sir John A. Macdonald and the political views of this great statesman throw considerable light on the form which the Union took.

Between February 3rd and March 14th, 1865, the members of the legislature of the United provinces of Upper and Lower Canada discussed fully the merits of the scheme of federation drawn up at the Quebec conference of the previous autumn. In advocating support of the resolutions Macdonald entered fully into the political aspects of the scheme and it is very evident that the proposals did not conform with his ideal. He felt that the ideal form of government would have been a legislative union with one Parliament supreme in every respect over the whole of the country as in Great Britain. Sectional

"and racial interests in Lower Canada and the Maritimes, however, would not contemplate such an arrangement, so a compromise was devised whereby provincial identities were preserved."

Then on page six:

"The attitude of Macdonald is expressed with some conciseness in the following extract from one of his speeches:

'Now as regards the comparative advantages of a Legislative and a Federal Union, I have never hesitated to state my own opinions. I have again and again stated in the House that, if practicable, I thought a Legislative Union would be preferable. I have always contended that if we could agree to have one government and one parliament, legislating for the whole of these people, it would be the best, the cheapest, the most vigorous and the strongest system of government we could adopt. But, on looking at the subject in the Conference.....we found that such a system was impracticable.....Therefore, we were forced to the conclusion that we must abandon the idea of Union altogether, or devise a system of union in which the separate provincial organizations would be in some degree preserved.'"

And there is a reference in the footnote to the page number of the Parliamentary Debates on the subject of the Confederation of the British North American provinces, third session, and those debates indicate that Sir John A. Macdonald started out with the idea of a legislative union, one parliament for the whole of Canada, but he found that it would be impossible to proceed on that basis and have a united Canada, and therefore our constitution was framed in its present form as a result of Sir John's recognition of the impossibility of

carrying into effect his ideas and ideals.

(Page 1212 follows)

I continue with the brief:

"The desire that the provincial organizations should be preserved was carried into the provisions of the British North America Act. Judicial recognition of this principle has been expressed in unequivocal terms. The language of Lord Watson, delivering the judgment of the Judicial Committee of the Privy Council in the Liquidators of the Maritime Bank v the Receiver-General of New Brunswick, (2) was explicit,

' The object of the Act was neither to weld the provinces into one, nor to subordinate provincial governments to a central authority, but to create a federal government in which they should all be represented, entrusted with the exclusive administration of affairs in which they had a common interest, each province retaining its independence and autonomy.'"

That is as clear a statement as can be found anywhere of the object of the Act.

THE CHAIRMAN: There is one inaccuracy in that statement as to the province being represented in the Dominion, which would rather indicate that Lord Watson might have had a different view of the situation from that which actually existed. The provinces are not represented in the Dominion; the people of Canada are represented in the federal Parliament. However, this is a very well known and an oft-quoted passage.

HON. MR. DAVIS: I take it that his reference was to the fact that the provinces, through their representatives in the House of Commons and in the Senate were represented in the federal union. That, I presume, is the meaning -- that that was the form of their

representation rather than that the province as province was represented in the Government of Canada.

" It is important that the position of the provinces within the union be kept in mind. It is important to remember that this position was achieved despite the persuasive eloquence of Sir John A. Macdonald. The original provinces insisted, the preliminary conferences understood, the British North America Act declared, that the identity of the provinces should be preserved. It is submitted that the preservation of the identity of the provinces in a federation, a federation which was to "conduce to the welfare of the Provinces," has an unmistakable meaning; both federal policies and arrangements among the provinces must be such that each province will be in a position to perform the duties assigned to it by the constitution. Otherwise the identity of the provinces as cultural units cannot be preserved. Moreover the welfare of the people in terms of opportunity must not be forgotten. The minimum for each province has been expressed, rather aptly, as "a right to earn roughly the Canadian standard of living within the boundaries of the province if reasonably possible. No province can be expected to accept the position of a colony to be exploited, nor to accept, except in the last resort, the migration or transfer of its people to the other provinces."

That statement is from an article by Professor V. W. Bladen, Canadian Journal of Economics and Political Science.

" The foregoing analysis characterizes the union of 1867 as a political event calculated to preserve

"the identity of the pre-existing provinces in some degree. But there is a danger that the notion of provincial autonomy may be pushed too far. We must also keep in mind that the British North America Act established a federal state, likewise with a claim to autonomy, and that the machinery of government established under our constitution exists only as a means to the end of human advancement."

That is a significant statement.

" As expressed by the present Prime Minister of Canada, (4) "we should not lose sight of the fact that governments are only institutions created by men to serve human needs." Consequently if human needs are not being served according to the spirit of the federation, inquiry should be made. And if a reasonable guarantee of correction is promised by a new distribution of powers and duties or by other constitutional alterations, there should be no hesitation. Local jealousies and a worship of traditional forms ought not to obscure the true purpose of the constitution.

It is probable that constitutional adjustment has been retarded by a doctrine described as the "compact theory" of confederation that has been put forward in certain provinces. According to this theory the original provinces entered into a "treaty" of union, and pushed to its conclusion the theory demands unanimity among the provinces as a prerequisite to amendment of the British North America Act."

The government of this province has been represented at many Dominion-Provincial conferences at which this theory was discussed and we have invariably taken the

same stand as is taken in this brief. We are opposed to the theory that unanimity is essential before any amendment can be made to the British North America Act.

" The theory is an extremely novel one and if any regard is to be had to accuracy in the definition of terms, it is completely unsupportable. For instance, it might be inquired as to the source of treaty making powers enjoyed by these pre-Confederation colonies. It might be asked whether Parliamentary ratification could be found as an historical fact in any of the colonies other than the Province of Canada. It might be asked further whether in the event of a desire on the part of Ontario or Quebec to give consent to a modification of the original pact, it would be necessary to reconstruct for the time being a pre-Confederation Province of Canada. Considerable doubt might also be entertained as to whether, with reference to any of the present provinces which entered confederation after 1867, a treaty doctrine could conceivably be applied.

It is submitted that neither as a matter of legal theory nor historical fact has the so-called compact theory any justification whatever. The whole matter was examined in a critical article by Professor Norman McL. Rogers a few years ago, in which the almost completely imaginary nature of the so-called compact theory was disposed of. As a matter of fact, at least one of the original provinces has gone on record in opposition to this theory. In the submission of the Province of Nova Scotia to the Royal Commission on Economic Inquiry (Jones Commission) in 1934, the following words are to be found. (6) "It is a forced interpretation of historical facts to suggest that

"Nova Scotia was a voluntary party to any Federal agreement with the other provinces."

So far as the Province of Saskatchewan is concerned, it would be ridiculous in the extreme to contend that there was anything in the nature of a Saskatchewan personality prior to the Act of Parliament of Canada which created the province. The creation of this province came during the course of an intensive settlement policy on the part of the Canadian government, and the boundaries of the province were more or less arbitrary. The province was created as the result of a Federal Statute, and one of the matters agitating parliamentarians at the time seems to have been howbest the settlement policy in the west could be furthered.

In a consideration of the necessity of amending the British North America Act, it must be kept in mind most distinctly that we are dealing with a Federation in which there is a Federal State, as well as nine provinces. If we had to deal with merely a loose confederacy, there would be a good argument in favour of unanimity of opinion; but we are not dealing with a confederacy but with a very definite type of federation in which very wide powers looking to the peace, order and good government of the people are given to the central government.

In such circumstances the principle of unanimity of consent to constitutional amendment cannot be tolerated. The rule as to constitutional amendment as ultimately adopted will undoubtedly represent a compromise in reasonable terms, such, for instance, as the compromise in the United States of America where amendment to the Constitution may be obtained with the consent of three-fourths of the states. It may readily be admitted

"that the situation in Canada is very unsatisfactory at the present time. This in part is the result of historical accident. In 1867 at the date of the enactment of the British North America Act, the original provinces and the Dominion of Canada created by the Act, were all definitely regarded as colonies. Amendment to the Constitution could be thought of only in terms of an amendment of an Imperial Statute. It has only been within fairly recent years that Canada has emerged from the status of a colony. The Statute of Westminster, 1931 regarded by many as our charter of self-government, provided by Section 4 that no Act of Parliament of the United Kingdom should be deemed to extend to a Dominion, unless expressly declared in that Act that that Dominion had requested and consented to the enactment in question. In the matter of constitutional amendment, the Statute of Westminster does little to clarify the situation, for while by Section 4 and other portions of the Act, it is made reasonably clear that legislation with reference to Canada, shall be enacted by the Imperial Parliament, only at the instance of Canada, the question remains what shall be comprehended in the word "Canada"? It is submitted that in the final determination of this question, it cannot mean the unanimous consent of the Federal Government and the nine provincial governments."

COMMISSIONER SIROIS: Mr. Davis, on page 8 of the brief, you make this statement in the first sentence of the fourth paragraph:

" In such circumstances the principle of unanimity of consent to constitutional amendment cannot be tolerated."

In fairness to you, I think I should point out that you have made an exception to this generalization at page 330 of your brief, where you state, in reference to minority rights:

" To this one exception should no doubt be made: minority rights presently guaranteed under the British North America Act should not be interfered with in the absence of complete agreement among the provinces".

HON. MR. DAVIS: Yes. In the interprovincial conference of 1935-36, when the question was discussed, it was unanimously agreed that whatever might be done with respect to any amendment to the British North America Act, or any method of amendment there should be removed from all possibility of discussion those sections having to do with minority rights. It was unanimously agreed that such rights should not be made the subject of any discussion.

COMMISSIONER SIROIS: I thought it only fair to point out this exception, that you have made to the general principle, and I would suggest that it be in some way indicated at this stage.

HON. MR. DAVIS: I might observe, sir, that the same attitude has been adopted by the Parliament of Canada with respect to minority rights. In the days of the administration of the Right Honourable Mr. Bennett, a Committee was appointed to examine into a possible method of amending the British North America Act. The Chairman of that Committee of the House of Commons was Mr. Turnbull, of this city, then a Member of Parliament. The committee made a report upon the subject, which was unanimously accepted by the Parliament of Canada. Everyone voted in support of it, and if you will refer to that report you will

find that it shows a complete unanimity of opinion on the principle that, where anything was to be done with respect to any amendment of the Canadian Constitution, a prerequisite should be that those sections having to do with minority rights should be set aside and that, excluding those, proposals for amendment should be considered. That has been accepted unanimously by the Canadian Parliament and by those interprovincial conferences at which I have been in attendance in recent years.

THE CHAIRMAN: Can you tell me, Mr. Davis, whether there has been any occasion since 1867 on which the British North America Act has been amended -- and it has been amended on several occasions -- on which the provinces were consulted and unanimity was secured, save in the Statute of Westminster?

HON. MR. DAVIS: I believe they were consulted with respect to Section 7 of the Statute of Westminster and they were all unanimously of the view that that section should go into the Statute of Westminster. . . . Apart from that, however, I know of no case where that has occurred. As regards the province of British Columbia, I remember that on the occasion when certain amendments were to be made to the Constitution, when legislation was to be enacted by the Imperial Parliament, the province took a firm stand on the question, so much so that the then Premier, Sir Richard McBride, went to the old country and voiced their objection.

THE CHAIRMAN: That was in connection with the financial settlement of 1907?

HON. MR. DAVIS: Yes.

THE CHAIRMAN: In that case, the financial basis of settlement between the Dominion and the provinces was agreed to by all the provinces save British Columbia; neverthe-

less the Parliament of Canada put through the resolution and the petition and it was finally acted upon by the Imperial Parliament, with some slight modification. The resolution, as adopted by the House of Commons, declared that the settlement was final and unalterable. That was in the draft bill, as I understand it. It was embodied in the draft bill introduced into the Imperial House of Commons. Whether due to Sir Richard McBride's objections or not -- he was there and he did object -- I understand that it was removed, the law officers of the Crown intimating that it was not a usual provision to put into a statute because any statute could be repealed, so that it appears only in the schedule to that Act. That, however, is the only other case I know of where the provinces were consulted and where an Act was put through notwithstanding the views of one. There may be other cases.

HON. MR. DAVIS: They did not acknowledge that what was done was consequent upon the representations of Sir Richard McBride, but my recollection is that the point taken was that they could deal only with the Parliament of Canada and were not prepared to hear representations on the part of Legislatures. In so far as the law is concerned, the method of approach to the Imperial Parliament has always been on the basis of a joint address without any reference to the provinces, although to some extent the practice of consultation with the provinces has grown up. The best evidence of that is to be found in the letter addressed by the present Prime Minister of Canada, the Right Honourable W.L. Mackenzie King, to the provinces with respect to constitutional amendments having to do with unemployment

insurance. Whether or not he would feel himself bound to act only upon the unanimous opinion of the provinces is for him to decide, but I do not believe that consultation with the provinces is more than a matter of practice. I do not believe that there is any legal obligation to consult the provinces.

COMMISSIONER DAFOE: Mr. Churchill's statement to the British Parliament was a guarded one. He did not indicate that the Imperial Parliament would deal only with the Parliament of Canada. He was careful to say that this change was not being made as a direct result of British Columbia's representations; but, on the other hand, he did not indicate that the representations of British Columbia had been ignored. It was a very guarded statement. Unless my recollection is astray, the legislature of Prince Edward Island objected to that settlement by formal resolution, but it did not carry the protest to Westminster.

HON. MR. DAVIS: I was speaking from my recollection of the newspaper reports at the time. I was not much concerned in public affairs at that time, but I have heard the matter discussed in interprovincial conferences and the general opinion seemed to be, although some provinces did not share the view, that in the final analysis and fundamentally it was a matter between the Parliament of Canada and the Parliament of Great Britain. I wish to thank Doctor Sirois for drawing attention to the point.

COMMISSIONER SIROIS: I thought it was only fair to your position to point it out and put it on the record immediately.

HON. MR. DAVIS: Quite so. The brief continues:

" As to the necessity for amendment, it is submitted

" that such necessity exists, although it is not contended that such amendment need assume dramatic proportions. It will be contended that the need for constitutional adjustment has resulted to some extent from errors in the British North America Act of 1867, but more largely as the result of changing concepts regarding functions of government.

Few Canadian statesmen have been very explicit concerning their ideas of the functions of government. They have been more concerned with the business of governing. Consequently in what they did more often than in what they said, does one find the clues to changing ideas regarding the appropriate field of government activity. Provisions for external defence and for the maintenance of law and order internally were of course expected as functions of the government in Canada from the beginning. Sir John A. Macdonald felt that the development of a common system of jurisprudence for British North America was vital and that there should be the same protection for life and property and the same penalties for crime in all parts of the country. In addition, he looked forward to uniformity in the laws relative to property and civil rights, with the inevitable exception of Quebec. For the most part, however, as expressed by a contemporary writer, "The prevailing idea was that the fewer functions surrendered by the individual to the government the better. John Stuart Mill was still the authority, and his ideas with regard to the limitation of government marked the general line of thought. While there were those who took a wider view of the functions of government and who anticipated the collectivist movement of the last quarter of the century, the echo of this was at that

time scarcely heard in Canada. There was no thought that many of the services now rendered to the community by governments would become necessary. Consequently, the division of authority, both political and financial, in the British North America Act was based on a form of society and an idea of government which no longer exists."

That is the one fundamental basis of this brief -- that it was not contemplated that many of the services now rendered to the community by governments would become necessary and that consequently the division of authority, both political and financial in the British North America Act was based on "A form of society and an idea of government which no longer exists", and which we deem to be essential to a review of the whole situation.

" The peculiar exigencies of a pioneer country however, forced Canadian governments into fields of activity which many of the older countries did not touch until later, and the extraordinary needs of development apparently kept Canadian statesmen so busy governing, that they had little time or inclination to philosophize about it. In the Confederation Debates besides discussing the structure of government, the part of the new Federal Government in developing the country was considered. In this regard the heavy emphasis was on the value of interprovincial free trade, land settlement, immigration, acquisition of the north-west, public works (mainly railways and canals) and nation-building in general.

No useful purpose will be served by a detailed examination of the distribution of powers between the Dominion and the provinces to be found mainly in Sections 91 and 92 of the British North America Act of 1867.

" These provisions are very well known to everyone. Two significant changes in political thought subsequent to 1867 should, however, be adverted to.

The first has to do with fiscal policy and marks one of the earliest departures from the political thought of 1867. Great Britain had adopted Free Trade, involving purchase in the cheapest market and sale in the dearest as its principle. Canada never went that far, and although fiscal autonomy was asserted in 1859, for many years thereafter tariff was considered as for revenue only. However, with the depression following 1873, abrogation of reciprocity in 1866, the recent abolition of colonial preference in the British market and the high tariff policy of the Republican party in the United States, after victory in the Civil War, the picture changed, and a protectionist movement was born. Thus by 1879 the idea of a protective tariff had taken hold of many Canadian statesmen and it has remained imbedded in varying degrees in Canadian politics ever since."

We contend that at the time of Confederation whatever tariff may have obtained in the provinces was for revenue only; and the whole basis of Confederation was that this concept would continue to be the fiscal policy of Canada. Over the years, however, particularly in 1879, and from that time on, there has been an evolution in that concept and it has been changed legislatively by the Parliament of Canada, which necessitates in turn a review of the provisions of the Constitution.

" Henceforth government policy in this regard became a matter of paramount interest to the country's private capitalists. One notable innovation has been that of Sir Wilfrid Laurier in 1897 by which the Imperial

"Preference was inaugurated. It will be submitted that the adoption of a protectionist policy has had far reaching effects in the direction of making re-adjustments as between the Dominion and the provinces absolutely imperative."

I wish to stress that particular sentence. The adoption of a protectionist policy has had far reaching effects as between the Dominion and the provinces.

" For the province of Saskatchewan in particular, where it is almost completely true to say that everything is bought in a protected market and everything is sold in a free market, the consequences of the protectionist policy have been more disastrous perhaps, than for any other political division of Canada."

That is an important section and that thought runs throughout the entire brief; it will not down.

" Another significant change which has occurred subsequent to Confederation has gone deeply into our philosophy of life."

THE CHAIRMAN: Just on that point, Mr. Davis, that policy -- not to the extent to which it has been carried however -- was in force at the time Saskatchewan was created a province.

HON. MR. DAVIS: But we had nothing to say with respect to the creation of the province.

THE CHAIRMAN: But it was in force, and the financial basis was settled at a time when that was the acknowledged policy of the country.

HON. MR. DAVIS: But there was no special financial recognition given the province of Saskatchewan at the time it came in to equalize the burden upon the people of the

province. We moved into Confederation under the same terms as the other provinces, and as a result of that policy we contend that something extra should be done so far as the province of Saskatchewan is concerned.

Let me read the paragraph from the beginning --

I have read just the first sentence:

" Another significant change which has occurred subsequent to Confederation has gone deeply into our philosophy of life. Values today are estimated with reference to a social philosophy unknown and unimagined in 1867. It originated, perhaps, in the field of industry, and involved a desire to obtain greater security for wage earners as the result of state intervention. Within recent years this new social philosophy has taken rapid hold in Canada, and has extended into all fields of activity. It may be described as a social philosophy which calls for a minimum of protection and a minimum standard of living for everyone, particularly for the aged, the afflicted and the unfortunate, through a policy of state intervention. It has called for tangible contribution to the life of many people in such forms as old age pensions, mothers' allowances and additional educational facilities. It is submitted that this social philosophy is not a passing fad, but that on the contrary, the tendency will be more pronounced in the years to come. The development of this social philosophy has had a marked effect in the matter of Dominion-Provincial relations, since under the distribution of powers to be found in the British North America Act, the constitutional obligations to supply these services has rested largely

"upon the provinces. On the other hand, many efforts of the Dominion Parliament to cope with the situation in a national way have been defeated by the courts on the reasoning that such action constituted an interference with property and civil rights in the provinces, a matter assigned exclusively to the provinces by head 13, Section 92 of the British North America Act.(8)"

Next we come to the question of financial arrangements and subsidies:

" FINANCIAL ARRANGEMENTS -- SUBSIDIES

The history and details of payments from the Federal Treasury for the support of government services in the provinces has been so excellently portrayed in a recently published work (9) that only brief reference need be made to this question here.

It is submitted that the Confederation Debates indicate clearly that the contributions to be made from the Federal Treasury to the different provinces was measured by anticipated fiscal needs."

I wish to stress these last four words, "by anticipated fiscal needs", because throughout we suggest that subsidies should be paid, not upon any arbitrary basis such as population, but upon the anticipated fiscal needs of any particular province.

" It may be observed that under the Act of Union then proposed, the revenue to be derived from customs was to go to the Central Government. In the field of taxation, the provinces were to be limited to direct taxation within the province and certain types of licenses in order to the raising of revenue for provincial purposes. It was early recognized that these sources of revenue, together with the

"territorial revenues remaining to the provinces, would be entirely inadequate to secure balanced budgets. Accordingly it is almost certain that the scheme for Confederation would have broken down had not arrangements been made for direct contributions to the provinces from the Federal Treasury. In this connection the words of Hon. A.T.Galt are significant: (10) "I now propose, Sir, to refer to the means which will be at the disposal of the several local governments to enable them to administer the various matters of public policy which it is proposed to entrust to them, and it is evident that unless ample provision is made in the arrangements, great danger will arise that the machinery whereby the local wants of the people are intended to be met will speedily become impaired, causing complaint on the part of the inhabitants of the respective localities and involving considerable danger to the whole machinery of government."

The scheme as worked out and as incorporated into the British North America Act, provided for assistance from the dominion to the provinces in four forms."

I do not think it is necessary to read this portion of it.

THE CHAIRMAN: No, I suggest not; We know it.

HON. MR. DAVIS: Next I refer the Commission to the paragraph beginning at the bottom of page 12:

" In the case of the Better Terms granted to Nova Scotia in 1869, the financial terms surrounding the admission of Manitoba in 1870, British Columbia in 1871, Prince Edward Island in 1873 and Alberta and Saskatchewan in 1905, it is very evident that the actual basis employed in fixing the amount of

"subsidies was fiscal need."

That is to say, regardless of what on the surface the basis of the arrangement arrived at purported to be, actually it was fiscal need.

" Very frequently, however, fiscal need masqueraded under the name of equality or even under a fiction as for example in the estimate of the population of British Columbia in 1871. The same may be said of the minor readjustments which have taken place between the Dominion and the various provinces throughout the years, as likewise of the general revision of subsidies in 1907 which resulted in an amendment to the British North America Act by the Imperial Parliament.(11)

That the original arrangement with reference to financial support for the provinces from the dominion was based on the fiscal need of the various provinces, has been recognized frequently. In this connection Dr. R.A.MacKay, Professor of Political Science in Dalhousie University, has written as follows: 'It thus seems clear that fiscal need was the paramount consideration behind the subsidies provided in the British North America Act 1867 and that the principle of equality of treatment as between the provinces and the question of the adequacy of financial return for lost taxing powers had to give way to fiscal need.'

(12) In the same connection, Dr.J.W.Dafoe in reviewing Maxwell's work, referred to above, has this to say: (13) "The shifts and expedients to which the Dominion Government resorted to hide from itself and the Canadian people the factthat it was paying out money to these provinces to meet inexorable fiscal needs, and to make a pretence that it was merely adjusting inconsistencies and oversights in the original set-up,

"makes a story which does not put Canadian politicians of those days in a favourable light. There was, however, more justification for their course than appears in Mr. Maxwell's interesting pages."

We concur in both of those statements in their entirety.

THE CHAIRMAN: It is generally understood, Mr. Davis, that it is hardly fair to quote to a judge an argument that he may have addressed to a court as counsel on some other occasion.

HON. MR. DAVIS: That is true, Mr. Chairman, but we prepared this section before we knew the personnel of the Commission.

THE CHAIRMAN: Apparently you adopt it as your argument.

HON. MR. DAVIS:

" The difficulties encountered by the various provinces in performing their obligations with the revenues available to them has been accentuated by the judicial interpretation placed upon certain portions of Section 92 of the British North America Act. For example, head 2 of that section, namely "direct taxation within the province in order to the raising of a revenue for provincial purposes" has received a very limited interpretation by the courts. Whereas it seems probable that the intention of Parliament was merely to guard against an interference with customs and excise on the part of the provinces, the courts have given a very restricted interpretation, especially to the word "direct", which has seriously interfered with various attempts by the province to enlarge their revenues through taxation."

Later on in the taxation section of the brief we deal in greater detail with the difficulties of the province in imposing taxation as a result of the interpretation placed upon that section.

COMMISSIONER ANGUS: Is it your argument that fiscal need was not a sufficient consideration?

HON. MR. DAVIS: Our argument, sir, is that it should be the basis.

COMMISSIONER ANGUS: I understood that you also wanted something included with reference to national policies.

HON. MR. DAVIS: Yes.

COMMISSIONER ANGUS: For instance, the differential in connection with the operation of the tariff, even though that might not express itself in fiscal need.

HON. MR. DAVIS: Yes, that is correct. The two questions that will run throughout the brief are the necessity of dealing with the matter of assistance rendered by the central authority on the basis of fiscal need and the rectification of such fiscal policies as make it impossible for the people to live. The rectification of those policies will go a long way towards satisfying our fiscal needs.

THE CHAIRMAN: If the financial arrangements are based upon fiscal need, does it make any difference what has produced the fiscal need?

HON. MR. DAVIS: You might get enough money from the federal treasury to satisfy the fiscal requirements of the government of Saskatchewan, but that does not solve the problem; that is only a minor consideration. The main problem is the condition of the people of the province. That is the main consideration and national policies may impose upon the people burdens which cannot

be rectified by the handing out of some subsidies to the provincial treasury.

THE CHAIRMAN: While it is within the scope of this Commission to consider both fiscal need and the incidence of taxation, it is not within the scope of the work of the Commission to review the tariff policy of the federal government.

HON. MR. DAVIS: I quite appreciate that.

THE CHAIRMAN: We are not sitting as a tariff Commission.

HON. MR. DAVIS: I appreciate that, Mr. Chairman; but it is within the scope of the Commission to examine the position of the province in relation to other provinces and the burden which our people have to bear as a result of national policies that need to be rectified.

MR. CRONKITE: Is not the tariff a tax, sir?

THE CHAIRMAN: Yes, it is a tax; but it is not the view of this Commission that we should pass upon a question of federal tariff policy. That is a matter for the Federal Parliament, and it is a matter of such high political significance that if this Commission entered upon it it would be in danger, I am afraid, of making a report that would create conflict rather than harmony among the different provinces. We must try to seek a solution that may possibly be accepted; and I do not think that it is the view of this Commission that we should pass judgment upon the question whether the federal tariff policy is good or bad. It is the duty of this Commission to consider the incidence of that policy, as Mr. Davis has suggested, and if it is made clear that the effect of that policy is to impair the taxpaying capacity of a province in such a way as to render that province unable to bear the burdens of

government as well as another province which enjoys benefits from that policy, then that is a matter that should be taken into consideration in the financial arrangements between the dominion and the provinces.

HON. MR. DAVIS: Proceeding on page 13 at the bottom of the page:

" It is not deemed essential that there should be included in this submission an analysis of the subsidies being presently paid to the various provinces, nor that a statement of the same should be included herein. In our opinion, the problem of financial adjustment cannot be settled on any principle of equality among the provinces in the sense that the term equality has been used in the past. For one thing, equality becomes an entirely useless word when the fact is that certain national policies have been in operation for many years which have operated in the direction of a disastrous inequality for a majority of the provinces. Moreover, as will be explained below, the basis on which the payment of subsidies to the provinces has been calculated has been most faulty. The past can give us little guide except to indicate certain errors that must be avoided. Financial arrangements must be calculated on an entirely different basis, having in view the experience of the past, the needs of the present, and the probable future. Having in mind also certain fundamental notions with reference to the character of the Federation and with reference to the philosophy of life within that Federation which have been postulated above and which will be elaborated in the following pages.

SUBSIDIES --- UNSOUND BASIS OF ALLOTMENT.

It has been noted above that under the terms of the British North America Act a large portion of the payment made from the Federal Treasury to each province was to be based on the population of that province. This method of allocation was continued in the revision of 1907, and to some extent the method became more pronounced. The revision of 1907 was concerned with two portions of the subsidy: (a) The grants in support of government. These grants were definitely placed on a sliding scale. Six categories were provided for, ranging from a yearly grant of \$100,000 to a province having a population of under 150,000 to a yearly grant of \$240,000 to a province with a population exceeding 1,500,000. (b) The grant based on population. This was fixed at eighty cents per head on the population of any province not exceeding 2,500,000, and at the rate of sixty cents per head on the portion of the population in excess of 2,500,000. Other elements of the subsidy payments, including special grants allotted to various provinces from time to time were left unchanged. A special grant for British Columbia was provided by this revision. No good purpose would be served by attempting a comparative study of the subsidies paid to the several provinces. There are so many variables in the sectional economy of Canada that any principle of comparative mathematical equality would be extremely misleading. As a matter of record it may be stated that the dominion subsidies received by the province of Saskatchewan on the basis of present population are as follows:

"Support of Government.....	\$220,000.00
On Population.....	744,708.80
Debt allowance.....	405,375.00
In lieu of lands.....	750,000.00
Total.....	<u>\$2,120,083.80</u>

In the case of the original arrangements concerning subsidies, and in the case of revisions of those arrangements there has been a consistent attempt to treat the result arrived at as a finality. With reference to the whole subsidy question, as a device for enabling the provinces to function in the federation, several observations are submitted.

(a) The attempt to establish a rigid scheme of payments was unfortunate. In a federation in which the provinces are unequally affected by national policies and in which there are so many variable factors in a changing social life, the attempt was bound to fail. The numerous revisions, numerous grants of better terms and the far more numerous complaints from the various provinces furnish some proof of this.

(b) Fiscal need may be accepted as a reasonable basis for the determination of the assistance that should be given to the provinces, it being conceded that the dominion is entitled to certain safeguards, as for instance that a receiving province should exercise reasonable economy.

(c) Population does not necessarily give a uniform measure of fiscal need. The density of population, the incidence of national policies and many other factors may result in the burden of government varying from province to province. Yet the population

"subsidy is calculated on the uniform basis of eighty cents per head from coast to coast. The subsidy in support of government is open to the same criticism."

THE CHAIRMAN: Do you deal later on with the question of safeguards? If so, I will not ask now a question which I should like to put to you. If you do not deal with it in a subsequent part of the brief, would you suggest to us what these safeguards might be?

HON. MR. DAVIS: There was at one time the suggestion of a loan council, but we were not extremely enamoured of that suggestion. Further on in the brief, however, we have a suggestion which we think covers the situation.

THE CHAIRMAN: When we reach it we can discuss the question.

HON. MR. DAVIS:

"(d) The only element of elasticity in the whole subsidy structure is with reference to population changes. Apparently it was felt that the burden of provincial government would increase uniformly with growth of population. There is not necessarily a close relationship between the two.

(e) Finally, the existing subsidy arrangements take no account of the amazing growth of social services since the revision of 1907. And, it may be repeated, that no account is taken of the cumulative effect of certain national policies which work to the disadvantage of several provinces.

" ADJUSTMENT NECESSARY FOR SASKATCHEWAN

A definite claim is being made on behalf of the Province of Saskatchewan for an adjustment of relations, in order that the functions of government may be performed and the needs of the people may be satisfied. A recapitulation of the factors analysed above would indicate that the Saskatchewan case should be rested on several propositions, for example:

- (a) The fiscal need of the province is very great.
- (b) The existing arrangements for the support of the provinces are inherently faulty.
- (c) There has been a change in the concepts of political philosophy within recent years which has resulted in a tremendous burden being thrown upon the provinces.
- (d) The federal government saw fit to open up the western country and to promote immigration there-to, consequently there is a special responsibility to see that the Canadian standard of living shall be maintained. It may be noted that the desire to promote immigration to the west seems to have influenced Parliament in withholding the natural resources from Alberta and Saskatchewan when these provinces were formed. (15)
- (e) Federal politics have been most disadvantageous to the life of this province. Through a combination of protective tariffs, centralization of financial institutions in Central Canada and high transportation costs on railways running east and west, it is suggested that the development of the province is being strangled. The impact of the protective policy bears most heavily upon Saskatchewan."

" AN APPROACH TO A FORMULA OF ADJUSTMENT

In casting about for principles with reference to which the problem before the Commission may be determined, it is submitted that certain premises will be accepted:

- (a) The fiscal need of each province is a fundamental consideration. In estimating fiscal need, the capacity of the province to perform its constitution obligations is to be considered, as well as the obligation, inherent in the federation, that the people of each province shall enjoy the Canadian standard of living."

That relates back to one of the propositions contained in the first section.

THE CHAIRMAN: I presume you will discuss those propositions in greater detail later on.

HON. MR. DAVIS: Yes. I thought that possibly, after we were through, we might revert to that first section and deal with what is outlined there in the light of the discussion that has taken place.

THE CHAIRMAN: I am thinking now of the propositions you are enumerating. Shall we come to those particular items again?

HON. MR. DAVIS: There is to be found in the first section the general concept on which the whole brief has been prepared.

MR. CRONKITE: They are involved in the brief and we shall come to them as we go along.

THE CHAIRMAN: The question is, which is the most convenient point at which to seek light on these propositions?

HON. MR. DAVIS: Later on we shall discuss this

principle that is involved throughout the brief.

THE CHAIRMAN: The question of fiscal need has been much discussed and dealt with at some length in the report on the maritime financial situation, which was made in 1934.

HON. MR. DAVIS: Are you referring to the Jones Commission, sir?

THE CHAIRMAN: The White Commission. Sir Thomas points out the objections to placing federal subsidies on the basis of fiscal needs. If, however, the basis is fiscal need, should it involve some measure of federal supervision? Suppose a province is recklessly extravagant and finds itself in an embarrassed and impoverished condition; obviously its fiscal need is very great. Does that mean that the dominion must automatically come to the assistance of the province? If fiscal need is to be the standard what protective devices can be applied that would enable the dominion to conserve its revenues, should a province administer its affairs without prudence and discretion? In other words, why should a province be reckless in its expenditures -- if there should happen to be such a province -- and profit at the expense of others that are thrifty? I am only pointing out the objections that have been raised to the question of fiscal need without expressing any opinion upon the point.

HON. MR. DAVIS: Later in the brief we have a suggestion with respect to the method of dealing with that problem. Naturally, the people's money should not be handed to a province that is not careful in the administration of its own affairs. One could not expect, if a province wasted public moneys, that Canada should come to its support.

THE CHAIRMAN: In a democracy, if the people elect a government that is wasteful the penalty is that they shall suffer in consequence; and that is the only means whereby good government can be brought about -- by people learning that if they have reckless and wasteful administrators they must pay the penalty, unfortunate and sad as that may be.

HON. MR. DAVIS: Pay the penalty, and wait until they have an opportunity of dealing with that particular government.

THE CHAIRMAN: I merely wanted to bring that point to your attention.

HON. MR. DAVIS: We recognize that, Mr. Chairman. We could not expect the treasury of Canada to pay money indiscriminately to support a province, upon the basis of fiscal needs, if that province were extravagant and wasteful.

COMMISSIONER ANGUS: Will there be a discussion later of the question as to how much is included in the term Canadian standard of living?

HON. MR. DAVIS: Not in this brief, except in a general way. We do not discuss that term in minute detail. We will outline the conditions under which our people are living and I believe that any Member of the Commission will be able to compare those conditions, as we indicate them, with the standard of living throughout Canada as those conditions are known to you gentlemen. We are giving a picture so far as this province is concerned.

THE CHAIRMAN: You are suffering under exceptional conditions in this province and undoubtedly the standard of living in very important sections of the province must necessarily be lower than normal by reason of the drought.

HON. MR. DAVIS: Yes.

THE CHAIRMAN: But there was a period, was there not, in the history of this province when the standard of living was substantially higher than that in the eastern provinces, in the days when you had large crops?

HON. MR. DAVIS: As a general statement, sir, --

THE CHAIRMAN: Was there not such a period?

HON. MR. DAVIS: The standard of living in this province may have been equal to, but I doubt whether it was ever greater than the general standard throughout the country. I doubt whether it ever exceeded the standard of living in those provinces.

COMMISSIONER ANGUS: Is it imaginable that one province might be much richer in natural resources than another, and that such excess of wealth might express itself in a higher per capita income and therefore in a higher standard of living? Is not that conceivable? Would this proposition with respect to a Canadian standard of living approximate, in such a case, the share of the wealth idea?

HON. MR. DAVIS: No, the reverse, so far as we are concerned. In this province under normal conditions we are capable of producing more new wealth than most other parts of Canada, but it does not reflect itself back in the standard of living of the people of western Canada; rather it reflects itself in the standard of living of eastern Canada.

COMMISSIONER ANGUS: I am only suggesting a hypothetical case applicable to all the provinces.

HON. MR. DAVIS: They have been accepted into the family and should be fed at the same table.

COMMISSIONER MacKAY: Will there be an opportunity later on of discussing the question of what constitutes a Canadian standard of living?

HON. MR. DAVIS: Yes, part 9 will deal with that question.

COMMISSIONER MacKAY: It is a question that gives rise to many others.

COMMISSIONER DAFOE: It is not your proposition that there should be of necessity a uniform standard of living?

HON. MR. DAVIS: Oh no.

COMMISSIONER DAFOE: But a minimum standard.

HON. MR. DAVIS: That is our proposition. Beyond that it is a matter for the individual province.

MR. CRONKITE: A minimum above the subsistence level.

COMMISSIONER DAFOE: That is expressly set forth?

HON. MR. DAVIS: I believe we had reached the principle stated in (b):

" (b) The fiscal need of several provinces will be conceded quite readily.

(c) Generally speaking, it is a sound principle that the responsibility of raising money should rest upon the one who spends it. This rule seems to make for economy among individuals and probably holds for governments as well. The present Prime Minister of Canada has frequently gone on record in favour of this principle.(16) So also have statesmen of an earlier day. Sir Wilfrid Laurier, for instance, speaking in the House of Commons in 1905 said this: (17) "It is a sound principle of finance, and a still sounder principle of government, that those who have the duty of expending the revenue of a country should also be saddles with the responsibility of levying and

"providing it." To this as a general principle, all will agree. The necessities of the situation however, may justify an exception.

By what formula can these difficulties be resolved? It is suggested that a guide may be found in the following analysis:

"a) As far as possible the adjustments in the direction of lightening the burden of the provinces should be met by the transfer of constitutional duties to the Dominion. But there will be limitations to this method: (1) The danger of disrupting controversies due to the existence of economic regionalisms and divergent group philosophies. In this connection, for example, a dominion-wide programme in support of education might be extremely dangerous. (2) A lack of appreciation of local needs by the central authority. (3) The difficulties of inspection over such a wide geographical area.

(b) It will be recognized that there is a distinct limit to the duties that can be transferred to the Dominion. Supplementary measures for the relief of the provinces may be looked for in (1) Ameliorative federal legislation, e.g., by a drastic reduction in the customs tariff, (2) Increased subsidies. The opinion may be expressed that the systems of cash payments from the federal treasury to the provinces has not been a failure. (18) But it will be suggested that an element of flexibility, sadly lacking in the past, should be introduced.

THE CHAIRMAN: You have referred to Mr. Maxwell on subsidies. Mr. Maxwell, of course, holds a very strong view against unconditional subsidies as being, for the reasons he sets forth in his book, undesirable and unsatisfactory. I take it that you do not share that view.

HON. MR. DAVIS: No, sir. As I understand it, they were suggesting certain conditional subsidies whereas we are taking the opposite view. That will be indicated later in the brief. Subsidies should be unconditional, though we shall discuss some measure of possible control so far as the expenditure of federal subsidies is concerned. Apart from that, however, we do not favour the granting of conditional subsidies.

Where a social service is instituted, possibly suggested by the Dominion, and the province and the Dominion join in the cost, after the service is under way and has become a part of the life of the people the Dominion may withdraw from it and leave the whole burden on the province. There is a danger in that direction, and we are in favour of a system whereby this will be avoided. I come now to the question of balanced budgets:

" A BALANCED BUDGET NOT THE SOLE QUESTION.

In the opinion of the Government of Saskatchewan the task of the Royal Commission on Dominion-Provincial relations must not stop short with recommendations that will result in balanced budgets for the various provinces. No one will deny the desirability of a balanced budget and the necessity of achieving a sound structure of public finance in each province. But it must be pointed out that a

"balanced budget is only a means to an end. The real problem is the well-being of the people. A budget may be balanced on the poverty or even misery of the people. This inquiry must not stop short of meeting the real issue. In particular it is desired to indicate two possibilities that must be guarded against.

(a) The possibility that the fundamental question of national policies may be ignored. This substantially happened in the case of the Duncan Commission of 1925 appointed to investigate Maritime claims. (19)

(b) There is also a distinct possibility that the claim of Saskatchewan for financial adjustments may be dismissed in the belief that the present economic distress in this province is to be attributed in the main to the drought from which the province has suffered for several years. The problem of drought is a serious one, but it is submitted that it is only a part of the fundamental weakness of the economy of this province. It is distinctly arguable that the financial crisis of the last eight years has been due quite as much to the fundamental weakness of an economy which is based almost entirely on the production of a single commodity, namely, wheat. It is contended therefore, that the claims of this province cannot be dismissed in the belief that prosperity will return when production of wheat on a large scale is resumed. The long-term economy of the province must be examined and this examination must include the effect of national policies upon it."

"THE INSURANCE PRINCIPLE APPLICABLE TO SASKATCHEWAN

The economy of Saskatchewan presents difficulties not found in other provinces to so marked a degree. Not only are the financial resources of government inadequate for a proper performance of the constitutional obligations of the province, but there is another difficulty, namely the extreme variability of income from year to year. Individuals can readily appreciate the difficulty of meeting their obligations on a wildly fluctuating income. It is suggested that the difficulties of public finance under such circumstances are even more pronounced.

It is submitted, therefore, that as far as possible, the insurance principle should be resorted to in order that the economic life of Saskatchewan be placed upon a firm foundation."

The Bank of Canada made an examination about a year ago this month into the finances of the provinces of Saskatchewan, Manitoba and Alberta. The report on the finances of Saskatchewan stressed that particular paragraph. I do not think we can express it better than to refer the commission to that very excellent report which stressed the fact it was difficult to formulate a system of government or anything else in this province based upon production largely restricted to one commodity; namely, wheat. Of our agricultural production in this province 80 per cent is wheat. Wheat is highly variable in price and amount, as we have learned to our regret in the last seven years. It is highly variable so far as production is concerned. It is most difficult to formulate a plan or solid system when the welfare of our people is based upon a variability such as that.

THE CHAIRMAN: Mr. Davis, assuming that to be correct, is there any possibility of changing your economy? There

are certain sections of this province which are, I take it, suitable for wheat growing only, or practically suitable for wheat growing only; other sections are more suitable for mixed farming. Is there any prospect of a substantial change in your economy in the near future? Are you more likely to develop mixed farming in the areas which may be so utilized for that purpose than you have in the past, or have you reached the limits in that respect?

HON. MR. DAVIS: Personally, I believe we have reached the limit; but I am glad, Mr. Chairman, that you mentioned that because separate and apart from this brief I intended to suggest to you at the outset, but forgot it, that possibly you would be interested some time during the course of this presentation in having here the particulars with regard to that very problem. The Minister of Agriculture, who is a well known agricultural expert in this province, and the Hon. George Spence, our Minister of Public Works, who is engaged more or less as a liaison officer between the province and the Dominion in connection with the work now being done for the Dominion through the province and in conjunction with the province under the Prairie Farm Rehabilitation Scheme, will be able to give you some information in that regard. I made that suggestion to both these gentlemen, and they are prepared to come here during the course of these proceedings and give the details of the agricultural economy of the province, and what is being done with respect to it, and what may happen as a result of what is being done. At the same time they will bring one of the soil maps of this province that was prepared by one of our University Professors. That is a very great work that has been done in recent years. People in Canada and people in Saskatchewan, as a matter of fact, have very little knowledge of it. A certain section of the

University of Saskatchewan has been engaged for many years in a soil survey of the whole province of Saskatchewan. That survey is complete, and has been reduced to a large map, which is very interesting. It gives a very great deal of information that they have secured about the soil of the province. At the time the minister discusses the question you asked we possibly might have the man in charge of the Soil Survey Branch of the University here to explain what has been done in that regard. Seeing that the press of Canada is here it might be a very excellent opportunity for the people of this province, as well as the people of the rest of Canada, to know our exact position with respect to our condition at the moment in agriculture, what is being done to rectify it, and what is the result of what is being done.

THE CHAIRMAN: I am sure we will be very glad to hear Mr. Taggart and Mr. Spence on this question.

HON. MR. DAVIS: As I said before, in our last paragraph we submit that as far as possible the insurance principle should be resorted to. Further on in the brief we shall discuss our exact proposal with respect to the thought underlying that. That is the end of Part 2, Mr. Chairman. I do not know whether or not there should be any discussion upon it now.

THE CHAIRMAN: Mr. Davis, if all these questions come up in a more practical form in the later sections of the brief we might leave it until we come to those other sections and discuss them when you are outlining in greater detail how you propose to apply them.

HON. MR. DAVIS: That is what I had in mind, Mr. Chairman. You see, the first part of this brief has to do with the British North America Act. That was fully discussed with the Commission in Winnipeg. I do not believe there is any necessity to elaborate the discussion here. Beyond that

we branch into the general principles which underlie all the rest of the brief. That is what I had in mind. From this point on there need be no discussion of these two, but as we go through the brief we will find all these things somewhere, and we can refer back when we are having a general discussion on the general principles we have outlined.

COMMISSIONER DAFOE: This question really comes up in your final recommendation.

HON. MR. DAVIS: That is all largely in the final recommendation. Part three has to do with public finance, and we have dealt with it generally in this way: we have had examination made of the exact financial position of the province of Saskatchewan. We thought that it would be proper and right on our part to disclose to this commission, the people of this province and of Canada, the exact financial position of the Province of Saskatchewan. Then, later on having indicated, as this will indicate, that at the moment we are in an impossible situation -- as a matter of fact the government of the province has had to face for eight consecutive years the fact that our budget has been out of balance. We have had deficits for eight consecutive years. The total amount of these deficits is approximately the sum of \$21,000,000, the actual cash deficits as a result of the operation of government in this province in the last eight years; and that has very little relationship to relief expenditures, which are enormous and which will be indicated here.

THE CHAIRMAN: That is the aggregate amount of your deficits for the eight years, quite apart from the relief expenditures.

HON. MR. DAVIS: Quite apart from relief expenditures and they are enormous. For instance, this year the actual money spent for relief in the province will be largely in

excess of the entire expenditures of the government in every branch of government, including interest on public debt. I am now referring to the actual aid. By the time the people of this province are carried through the period of this winter, stock fed and provision made for seed and seeding operations, I would judge it will cost a some twice more than the entire expenditure for all purposes by the government of the province of Saskatchewan in carrying on ordinary government of this province. That indicates the tremendous nature of the difficulties of the province at the moment.

Now, as I have said, we will run behind approximately \$21,000,000 over the last eight years. Naturally, that must be capitalized, when it can be, and added to the public debt. We recognize that that cant go on forever; therefore, we have submitted in this section a complete statement of exactly where we stand financially. Then we proceed from that point on to make these two examinations. We proceed on the basis that it is our responsibility and our duty in this province whenever possible, so to arrange our affairs as to bring our budget into balance if we can possibly do it ourselves. That is our primary consideration. That can only be done, naturally, by increasing taxation on the one hand or by decreasing expenditures on the other hand or by a combination of both. Therefore, we have subsequently -- after we have discussed the financial condition of the affairs of the province -- made an examination into the taxation within the province, and then we have made an examination into the costs of government in the province, and indicated, as the brief will show, that it is impossible to collect more in the way of taxes from the people of this province; that they are taxed more than possibly any other people in Canada at the moment.

In so far as economy of government is concerned by maintaining certain fixed charges, it is impossible to handle the situation within Saskatchewan as a result of any possible economy in government unless we are going to reduce very, very materially the social services that the people of this province receive. There will be a very careful examination into these social services later on in the brief. As I have said, this portion of the brief outlines the public finances. In this we are attempting to disclose the exact financial position of the province. In that connection we have the treasury experts here, and any questions that may be asked will be answered by them.

PROVINCIAL

"Any present survey of financial principles or operations relating to the Government of the Province of Saskatchewan should be approached with a recognition of the distinctive nature of the experiences of the Province -- particularly the singular experience of the past eight years."

In appendix A the first statement shows, in condensed form, the financial position of the Province, as at April 30, 1937, divided as between Capital, Revenue, Trust and Relief. The significant features indicated by this statement are: --- "

That statement is to be found on page 338. Statement No. 1 shows the balance sheet of the province as at April 30, 1937, on capital account, and on page 339 on revenue account.

THE CHAIRMAN: Just on this statement of assets and liabilities, the funded debt is shown as \$124,043,319.56, treasury bills \$75,758,531.55. Is that largely relief?

HON. MR. DAVIS: Yes. You will find the details on another page. We shall discuss the details of that on the over page.

THE CHAIRMAN: If you are coming to it, all right.

HON. MR. DAVIS: I am coming to that on page 20, the very next page.

THE CHAIRMAN: On this balance sheet you have "trust account, investments and accrued interests \$20,030,501.48".

HON. MR. DAVIS: That is on the assets side.

THE CHAIRMAN: What does that refer to?

HON. MR. DAVIS: That is school lands. You see, when western Canada was taken over by the Dominion of Canada provision was put into the original act, the government of this country, and later embodied in our constitution to set aside two sections of land in each township of thirty-six sections for school purposes, and that is the trust fund. When the school lands, during the days of Dominion administration were sold they received in actual cash for such school lands a sum in excess of \$17,000,000, close to \$18,000,000; as the resources were turned over to the province they gave us treasury bills for that indebtedness, and the dominion of Canada owes the province of Saskatchewan approximately \$18,000,000 secured by Dominion bonds for that item.

THE CHAIRMAN: At what rate of interest.

HON. MR. DAVIS: That will also come up. They were paying us 4 1/2 per cent, originally 5 per cent. Now it has been reduced to 4. It was 5 per cent throughout the years but in July 1936 they reduced that to 4 per cent. The reduction of 1 per cent in turn affected the revenues of the province.

THE CHAIRMAN: Of course, but they could borrow money and pay you off, I suppose.

HON. MR. DAVIS: We would be obliged, on the other hand, if they did that to set that aside as a trust fund. We could

not touch that for any purpose except for school purposes. It is a trust fund, the capital of which must be retained inviolate, the income whereof has to be used exclusively for school purposes.

THE CHAIRMAN: You have as safe an investment as you could get at the present time.

HON. MR. DAVIS: Yes, a very, very safe one, we are glad to say. Page 359 contains the details of that trust account.

THE CHAIRMAN: If you are going over this brief page by page we shall leave it and check it as we go over it.

HON. MR. DAVIS: All right.

"The significant features indicated by this statement are:

1. The magnitude of funded debt and treasury bills.
2. The substantial amount required to liquidate accumulated deficits and deferred charges.

With reference to the magnitude of funded and treasury bill indebtedness, it is illuminating to observe that while 31 per cent of same was incurred in the first twenty-four years of operation as a province, the remaining 69 per cent has been incurred during the past eight years. The following table sets forth in comparative form the above referred to class of indebtedness as it existed immediately prior to the period of drought and depressed agricultural prices and as it stood at April 30, 1937.

Funded and Treasury Bill Indebtedness as at the
End of the Fiscal Years Indicated.

	1929	1937	Increase
Stock and Debentures	\$58,275,776	\$124,043,320	\$ 65,767,544
Treasury Bills	4,599,272	75,758,532	71,159,260
Totals	\$62,875,048	\$199,801,852	\$136,926,804

Our total of \$199,801,852 will be dealt with more in detail on subsequent pages. The table I have just read indicates a total increase in eight years on treasury bill accounts of \$71,159,260, and a total increase in our debt in the last eight years of \$136,926,804. That means where our total indebtedness in 1929 was \$62,875,048, which covers the twenty-four years of the existence of this province up to that time, in the eight years thereafter we find that indebtedness increased by \$199,801,852, or an increase of \$136,926,804, incurred in eight years as against \$62,875,048 incurred in the period of twenty-four years.

THE CHAIRMAN: Is this great increase in the amount of treasury bills due to the fact that you could not borrow in the market.

HON. MR. DAVIS: Largely. The Government of Canada has throughout the last few years in the matter of relief, largely in relief and sometimes for other purposes in the earlier years, made us advances to take care of certain expenditures that we had to make. We could never have borrowed, in any event, the vast sums, even if we could still borrow some, that are shown here.

THE CHAIRMAN: You could only borrow today, I should think, in the open market if the purchasers of your bonds believed that the dominion would ultimately come to your rescue and prevent you from going into default.

HON. MR. DAVIS: Well, that might be qualified by stating that possibly people who would be investing might think this province will come back and possibly be able to

carry on.

THE CHAIRMAN: Do you think, if you come back, you can discharge all those obligations?

HON. MR. DAVIS: We are going to ask you to see that part of them is discharged.

THE CHAIRMAN: That was a very hopeful thought you struck, Mr. Davis, if you assumed that the dominion would assume it all.

HON. MR. DAVIS: I think if that were done it would possibly do a lot to rectify our financial position. We are going to suggest that, in any event. I now come to the examination of the debt, which is found on page 20, as follows:

"The "net " funded and treasury bill indebtedness at April 30, 1937, together with a division of the holders of the province's treasury bills is shown by the following summary:

Net Funded and Treasury Bill indebtedness
as at April 30, 1937

Stock and Debentures	\$124,043,320"
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That amount is our bonded debt held by the public. Of that amount I believe between \$9,000,000 and \$10,000,000 is held by the sinking funds of our cities and urban communities in this province. At a later date that will be disclosed.

THE CHAIRMAN: Of the \$124,000,000 odd --

HON. MR. DAVIS: Of the \$124,000,000 odd approximately between \$10,000,000 and \$9,000,000 is held by the sinking funds of our cities and therefore they are very, very vitally interested in this item of \$124,000,000 of our bonded indebtedness. Then, there are treasury bills held by the Dominion of Canada to the amount of \$63,425,347. These are advances made by the federal treasury to the provinces in exchange for which they have received treasury

bills of this province.

THE CHAIRMAN: Those treasury bills bear interest?

HON. MR. DAVIS: 3 per cent per annum. The majority of these bills have been issued for relief expenditures, one expenditure alone made back in 1932 for ordinary administration and cost of government. Of that amount \$2,000,000 was advanced back in 1932 to carry on the ordinary functions of government of this province, and \$3,500,000 advanced to take up maturities of the province. At the time they came due the government of the day was not able to finance them. The vast bulk actually represents advances made to take care of the province's share of relief.

THE CHAIRMAN: You say there "treasury bills held by others".

HON. MR. DAVIS: Those are held by implement companies and banks. The banks hold the treasury bills; the railway companies hold treasury bills for freight on goods moving into the province. Implement companies hold treasury bills; oil companies hold treasury bills for oil and gasoline supplied to the province and by the province to the farmers to put in their crops. This amounts to \$12,000,000.

COMMISSIONER ANGUS: What rate of interest do they bear?

HON. MR. DAVIS: They bear 3 1-2 or 3 per cent, some of them up to 5 per cent. The banks bear a rate of 3 1/2. The majority of them are 3 1/2 per cent and 3 3/4 per cent. The average rate of all treasury bills is slightly in excess of 3 per cent. I am now referring to the average of the whole \$75,000,000 odd. The dominion treasury bills bear interest of 3 per cent; that is the \$63,000,000. The other \$12,000,000 averages a little over 3 per cent.

THE CHAIRMAN: That is the total \$75,000,000 odd averages a little over 3 per cent?

HON. MR. DAVIS: The total of \$75,000,000 averages a little over 3 per cent.

THE CHAIRMAN: Then, you have sinking funds?

HON. MR. DAVIS: These are actual sinking funds that the province has to amount of \$11,414,644. Now, then, deducting that amount of the sinking fund, which I think is largely invested in Saskatchewan bonds, it would merely mean a cancellation in any general rearrangement. The reduction of that \$124,000,000 odd by \$11,000,000 odd merely means the cancellation in our own sinking funds. We now come to "Net Public Debt, exclusive of bank overdrafts and accounts payable, \$188,387,208. The gross is \$199,000,000 in round figures, sinking fund \$11,000,000 in round figures. That makes the net \$188,000,000 in round figures. To that must be added these two items: "Bank Overdrafts \$1,443,412 and Accounts Payable and Accrued Interest as at the 30th day of April, 1937, \$5,935,145, or a total of \$7,378,557". So to get the actual debt of the province as of that date you would have to add to the \$7,378,557, \$188,387,208, making a total in round figures of \$196,000,000. In order to get a true picture of the direct debt of the province as at April 30, exclusive of realizable assets there should be deducted not only sinking funds but also treasury bills held by the dominion which have to be cancelled or reduced upon submission by the province of certain requested information. The gross direct debt less these reductions may be conveniently summarized in the following manner:

Stock and Debentures	\$124,043,320	
Treasury Bills	75,758,532	
		<hr/>
Less: Sinking Funds	\$ 11,414,644	\$199,801,852
Treasury Bills, Write-downs and Cancellations	<u>20,400,000</u>	
		\$ 39,814,644
		<hr/>
		\$159,987,208
Bank overdrafts		1,443,412
Accounts Payable and Accrued Interest		5,935,145
		<hr/>
		\$167,365,765
		<hr/>

Later on in this brief we discuss the general scheme of debt adjustment that applied to a large portion of this province whereby the mortgage companies and other mortgagees wrote off certain interests, the municipalities wrote off certain taxes and the government wrote off certain relief, that is, relief advances which in turn had to be financed in so far as the province was concerned by advances from the federal treasury, and the federal government agreed that the write-off the province made or the individual, or the company made would likewise be written off to the same extent by the dominion treasury to the province. The amount of that has been actually calculated and is something in the neighborhood of \$17,000,000 or \$18,000,000 -- \$17,632,000. There is a definite agreement that that has to be written off, and all that remains is the actual mechanical thing of making the write-off, supplying the information desired by the federal treasury in order to make the actual write-off. Therefore, for the purposes of discussing the provincial debt we are taking that as an actual write-off of the debt of this province. Our fiscal year ends the end of April. In the relief year 1934-35,

our relief year ends on the 31st day of August -- the federal treasury made certain advances, and they are included in this debt, and we are now engaged in actually writing off the debt of this province, and that makes up the difference in the amount of the treasury bills. When these two things are finished there will be roughly \$28,000,000 writton off. That has already been put into operation. Of the total there, if you deduct the sinking fund and the treasury bills to be written off you get a total of \$39,814,344. When you subtraet that from the \$199,801,852 it leaves a debt of \$159,987,208, to which must be added the two items above referred to, bank overdrafts \$1,443,412, Accounts Payable and accrued interest \$5,935,145, or a total of \$167,365,765, as at the 30th day of April, 1937.

A debt of the magnitude shown above may be better appreciated when considered in conjunction with accumulated deficits and deferred charges.

We now come to "deficits and deffered charges as at April 30, 1937", as follows:

Deficit an Relief Account	\$61,294,395.92
Deficit on Revenue Account	9,709,626.54
	<hr/>
	\$71,004,022.46
Less: Surplus on Capital Account	731,741.69
	<hr/>
	\$70,272,280.77
Unamortized Debt Discount and Expense	5,621,256.92
Other Deferred Charges	2,305,268.06
	<hr/>
	\$78,198,805.75
	<hr/>

I do not know if this can be better explained by the proper official.

THE CHAIRMAN: Mr. Davis, the deferred charges as at April 30th., 1937, and deficit on relief account amounts

to \$61,000,000.

HON. MR. DAVIS: Yes.

THE CHAIRMAN: That is the accumulated deficit?

HON. MR. DAVIS: Yes, sir.

THE CHAIRMAN: Over the whole period of years?

MR. TAYLOR: Since September 1st., 1929.

THE CHAIRMAN: The balance is accumulated deficit?

MR. TAYLOR: Yes.

THE CHAIRMAN: The \$9,709,626.54 is the accumulated deficit on revenue account, is it?

MR. TAYLOR: Yes, sir.

THE CHAIRMAN: For the same period?

MR. TAYLOR: No, that would be from the inception of the province. That would be the accumulated deficit to April 30, 1937. The relief picture only entered the financial operations of the province on September 1st., 1929. The deficit on revenue account was the result of the operation of the province since its inception, similarly in regard to the profit and loss account.

THE CHAIRMAN: You mean, from 1905 to date there has been a total deficit of \$9,709,626.54.

MR. TAYLOR: Yes, sir.

HON. MR. DAVIS: As I understand it the actual deficit for the last eight years is \$21,000,000; when you deduct from that the surplus accumulated over the former years you get the net deficit.

THE CHAIRMAN: When you consider your deficit on a cash basis you are including the unpaid taxes and your receivables in your revenue account.

HON. MR. DAVIS: We have gone behind in actual cash roughly \$23,000,000 in the last eight years, in which \$2,000,000 related to relief account and \$21,000,000

to revenue account. When you blance out and set out the unpaid taxes, advances to boards, and commissions, that cash deficiency is reduced by the assets you have available, and reduces that to \$9,709,626.54. The net assets there is exlusive of unsold school lands. We have some of these lands that are still unsold.

Our brief continues as follows:

"Contingent liabilities of April 30, 1937, amounted to \$37,312,658.00 exclusive of 1937 Seed Grain Guarantees which will be in excess of six and a half million dollars. A detailed statement of contingent liabilities is included in the appendix. The possibility of the province being called upon to implement Railway Guarantees of approximately \$27,400,000.00 is considered rather remote, so that contingent liabilities may reasonably be thought of as amounting to approximately ten million dollars plus 1937 Seed Grain Guarantees."

Possibly I could explain the Railway Guarantees,
Mr. Chairman:

THE CHAIRMAN: If you please.

HON. MR. DAVIS: When the old Canadian Northern Railway was in operation in Canada they came into the province of Saskatchewan and lines were built. They secured money for the building of those lines by the issue of bonds, the payment of which was guaranteed by the government of the province of Saskatchewan. These guarantees totalled roughly \$27,000,000. Subsequently, the Canadian Northern became the property of Canada and came to be known as the Canadian National and these bonds were thereby - possibly not directly - assumed by the government of Canada, because the government of Canada has always made up the deficit on them. It may be - I have not inquired into it - that some of these cash bonds have expired and have had

substituted for them other bonds of the C.N.R., guaranteed by the government of Canada. I am told they expire in about two years.

THE CHAIRMAN: These bonds which the government guaranteed are bonds in regard to branch lines, are they not; feeders to the main line?

HON. MR. DAVIS: Main line feeders. Our guarantee would be secured by a mortgage on these lines and I do not know that we would be very badly off.

THE CHAIRMAN: I think the chance of being called on to implement that guarantee is very remote, due to the fact that the railway has been taken over.

HON. MR. DAVIS: Yes, very remote, although strictly speaking it is a liability, but in actual practice it is not really a liability to be considered by the province. Then, there are other contingent liabilities such as grain advances. We have guaranteed certain advances made for seed grain. Take, for instance, the year 1937. The mortgage companies or mortgagees in general under provincial legislation had the right, subject to certain provincial control, to advance seed and seeding supplies to farmers, and were guaranteed on the legislation on advances so made under certain terms and conditions. That is only a small factor and does not amount to much in comparison with the total. In order to get the crop in the rural municipalities borrowed money from the banks, who in turn advanced on lien to the individual resident farmers within the municipality, the amount necessary for that purpose. The province guaranteed repayment of those advances, and, in turn the dominion of Canada guaranteed that the province would fulfil its guarantee; so that they are doubly secured by both provincial and dominion guarantees. That applied to 1936

and 1937 but not to 1935.

THE CHAIRMAN: So far as these guarantecs are concerned, I suppose a number of them will have to be implomented due to the failure of crops in the district where the farmers borrowed the money.

HON. MR. DAVIS: Yes, in the districts where there were seed grain advances and seed grain loans made, a majority of them will have to be. We took the 1933 and 1934 off. We made all those advances up to the first day of January, 1935, and they have been completely writton off, and the farmer does not owe anything for any of his seed grain or relief advanced up to that time. He owes 1935, 1936 and 1937. It may be that that guarantec may have to be implomented before they are carried back. What happens with respect to the individual farmer and his ropayment of the advances in 1935, 1936 and 1937 largely depends upon what the future may hold. If he goes into another serious crop loss, probably the whole problem will have to be dealt with, but at the moment he owes or the most of them owe for the three advances. The brief continues:

"As indicated earlier, the tremendous increase in gross bonded and treasury bill indebtedness occurred during the period 1929-1937. However before analysing this later period it is desirable to review briefly the financial operations of the province up to and including the year 1928-1929."

Perhaps this would be a good place to break off.

THE CHAIRMAN: Yes. It is one o'clock. We shall sit again at 2.30.

The Commission adjourned at 1.00 p.m.
until 2.30 p.m.

(Page 1275 follows)

AFTERNOON SESSION

The Commission resumed at 2.30 p.m.

HON. MR. DAVIS: Mr. Chairman, this morning we were discussing Saskatchewan Government treasury bills, and the rates of interest thereon, and during the lunch hour the treasury officials have given me a list of all these treasury bills, with the rates of interest, which I will now file as an exhibit.

MR. ST. LAURENT: That will be Exhibit 35.

EXHIBIT NO. 35	List of Saskatchewan Government Treasury bills with rates of interest thereon.
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HON. MR. DAVIS: I should like, Mr. Chairman, to go back to the middle paragraph on page 21, indicating the contingent liabilities of the province, showing \$27,000,000 of railway guarantees, with approximately \$10,000,000 to be reasonably regarded as contingent liabilities, plus the 1937 Seed Grain Guarantees, which total \$6,500,000. That is roughly \$16,500,000 of contingent liabilities with respect to guarantees. Since the thirtieth of April, 1937, the province has implemented those guarantees to the extent of about \$5,500,000 in this respect: Back in 1931 the relief of seed grain expenditures was financed in the province by the municipalities borrowing the money from the bank, the government guaranteeing repayment thereof. In the general debt adjustment scheme that was worked out in this province in order to relieve the municipalities the government wrote off so many million dollars of their taxes as part of the general scheme, and undertook to relieve them of all liabilities with respect to that \$5,500,000 advanced by the banks. The government has taken over that liability directly, and so the municipalities are entirely freed of responsibility for that debt, and for paying for interest thereon.

Before lunch we had got to the bottom of page 21, dealing with the fiscal years 1905 to 1921. I continue from there:

"After sixteen years of life as a province, Saskatchewan had a bonded and treasury bill indebtedness that compared most favourably with that of Manitoba and Alberta. On a per capita basis, bonded debt was but slightly more than half of either of her neighbouring provinces."

Then there is a comparative statement of the bonded and treasury bill debt of the three prairie provinces in 1921, showing Manitoba with a bonded debt of \$64,000,000 in round figures, Saskatchewan \$44,000,000 and Alberta \$59,000,000, or per capita \$105.17 for Manitoba, \$58.19 for Saskatchewan, and \$100.36 for Alberta. I continue on page 22:

"While expenditures, both ordinary and capital, increased rapidly during the period 1911-1921, the increase was a natural one and not out of line with the physical expansion taking place in the province. Population increased 265,000 or 54 per cent; railway mileage increased approximately 100 per cent; the number of farms increased from ninety five thousand to one hundred and nineteen thousand and the area of occupied farms from twenty eight million to forty-four million acres. The large increase in settlement and the size of the geographic area being settled, naturally demanded an enlargement of the judicial system, the opening of new schools, with a consequent increase in education costs, and an extension of roads and bridges, involving additional capital and maintenance costs. As the province had entered the telephone business, practical expenditures of a considerable amount were required for an extension of

"the system. As stated above, while governmental expenditure increased rapidly during this period, the increase was essential rather than prodigal. Despite the marked increase in costs of discharging governmental functions, Saskatchewan occupied a fairly strong financial position at the close of 1921. The trend of revenues and expenditures on income account is indicated in condensed form by Table 1.

That Table is shown on page 23, and if you will refer to it you will note the revenues for 1911 as compared with 1916 and 1921. In 1911 the revenues of this province were, in round figures, \$2,300,000; in 1916, \$4,400,000, and in 1921, \$10,000,000. The expenditures in 1911 were \$2,300,000; 1916 \$4,800,000, and in 1921, \$10,700,000. An interesting item is the first one, showing the service charges on our debt. In 1911, twenty-five years ago, the debt charges were \$192,000 1916, \$1,093,000, and in 1921, \$2,259,000.

Now I go back to page 22:

"As substantially representing the sale of stock, debentures and treasury bills to April 30, 1921, the following statement of capital expenditures and advances is of interest;

Public Buildings and Lands \$13,511,005

Public Improvements 8,096,407 \$21,607,412

Then we made advances to the Department of Telephones of \$11,000,000. The government in this province owns the telephone system, except the rural telephone system. We also made advances to the Saskatchewan Farm Loan Board of \$6,900,000, and advances to the Saskatchewan Cooperative Elevator Company of \$3,000,000, in round figures, or a total altogether of \$42,818,650.

The next examination is for the fiscal period from 1921 to 1929:

FISCAL YEARS 1921-1929

"Despite a slight increase in revenues for the years 1921, 1922, and 1923, the increases in expenditures were such as to produce an aggregate deficit on revenue of approximately \$2,263,000."

That is for those three years. To continue:

"A new source of revenue was provided as a result of the assumption by the province of the control and sale of intoxicating liquors in 1925. While a major part of the profits accruing from this enterprise was initially earmarked for debt retirement purposes, financial difficulties soon compelled the province to credit an ever-increasing portion directly to income account."

When the liquor system was first set up, it was decided that a certain portion of the profits should go into sinking fund to retire the provincial debt, but ultimately that policy had to be changed. Continuing on page 24:

" Table II indicates the trend of revenues and expenditures on income account for the years 1921 and 1926. It is significant to observe that despite an increase of some \$2,400,000.00 in revenues, expenditure increases for education and public welfare amounted to \$2,300,000. It should be pointed out that the increase in revenues is exclusive of slightly in excess of one million dollars of liquor profits set aside for immediate and future debt retirement purposes."

Then on page 25 there is a statement of account which shows the revenues and expenditures for 1921 and 1926. There was an increase in revenue in 1926 over 1921 of roughly \$2,400,000, or \$12,800,000 in 1926 as compared with \$10,400,000 in 1921. Expenditures increased from \$10,700,000 in 1921 to \$12,700,000 in 1926, or roughly an increase in 1926 of

\$2,000,000. The fourth item in the list of expenditures is for education, and it indicates the large increase in expenditure which has taken place in that item. That was caused by larger grants from the province to local school districts; and also there was an increase in Public Welfare of \$500,000. That is social services. I continue on page 24:

"During the 1921-26 period the evolving concept of the responsibilities of government forced itself very definitely into provincial expenditures. While old age pensions had not as yet entered the field of provincial functions, it may be noted from the detailed statements in the appendix that the cost of mothers' allowances for 1926 was three times that of 1921. Exclusive of grants paid from proceeds of the supplementary revenue tax in 1921, the cost of education for 1926 was double that of 1921. Similarly the cost of mental institutions and control of communicable diseases shows a very marked increase. As the increase in population during this five-year period was but 8 per cent, the upward trend in social service costs reflects the changing concepts of the functions of governments rather than an increase due to increased population.

Although the aggregate of capital advances to the Department of Telephones, Farm Loan Board and Cooperative Elevator Company did not advance during the period of 1921-26, investment in public buildings, lands and improvements increased from \$21,600,000.00 to \$30,700,000.00, with almost sixty per cent of the increase coming in the years 1922 and 1923. Although some \$18,500,000.00 of advances was due from the Telephones and Farm Loans at the end of the fiscal year 1926, the fact that these enterprises had been able to meet their interest requirements

"seems to have prevented any apprehension that might have been experienced at the magnitude of these advances.

The period 1925-1928 witnessed four years of remarkable prosperity in the province. Large crops and reasonably high prices combined to produce an agricultural income that gave buoyancy to provincial revenues. During the period 1925-1928 the province took advantage of lowered interest rates to refund some six million dollars of its higher interest bearing debt at a coupon rate of $4\frac{1}{2}$ per cent, and in addition issued new loans amounting to approximately ten and one-half million dollars, for other than Farm Loan purposes, at a corresponding rate."

An examination of the Balance Sheet of the province of April 30, 1929, (statement 9 in appendix A to this report) would by itself appear to indicate a relatively strong financial position. Had the province's financial structure been flexible, rather than possessing the rigidity it did, it is hardly conceivable that the partial crop failure of 1929 followed by the more serious failure of 1930 would have so decisively exposed the vulnerability of provincial finance. This condition of rigidity in provincial finance existed despite a fairly general economic administration on the part of the province over a long period of years.

When the population of the province is considered in relation to its settled area, a net bonded and treasury bill indebtedness of sixty million dollars, at April 30, 1939, can hardly be considered as reflecting wanton extravagance in capital expenditures. Especially is this true when collateral consideration is given to a natural desire on the part of those entrusted with the administration of provincial affairs to provide a scattered population

"of mid-continent location with certain of the modern conveniences and amenities of life."

Then we come to the third period:

FISCAL YEARS 1929-1937

"Commencing with a partial crop failure in 1929 and continuing with much more serious failures to date, the province has experienced an unprecedented period of reduced agricultural income--unprecedented from the standpoint of yield and also from the standpoint of price obtained. As would be expected in an economy so wholly dependent upon agriculture, the maintenance of a substantial portion of the population on relief together with various forms of agricultural assistance, entailed expenditures of tremendous proportions.

A survey of the fiscal years 1929-1937 naturally divides into an examination of the usual revenues and expenditures of the province and those relating to relief. So as to complete the rather cursory examination already made of "usual" provincial finances, it would seem desirable to deal with that feature first.

CAPITAL EXPENDITURES 1929-1937

During the eight-year period under review, a marked increase occurs in bonded and treasury bill indebtedness attributable to capital expenditures and capital advances. Because of the size of these expenditures and advances it is essential that each be dealt with separately."

The balance sheet showed an investment as of April 30, 1929, in the above of \$20,000,000 odd, and that had increased as of April 30, 1937, to \$23,900,000 odd, or a net increase of about \$3,500,000. Better than ninety per cent of this increase occurred during the years 1929-30 and 1931-32:

"For the ensuing five years capital expenditures

"under this heading were relatively insignificant. The following statement indicates the main purposes for which capital expenditures were made during the first three years of this period."

There was spent on the Prince Albert Sanatorium, \$900,000, and for additions to our mental hospitals at Weyburn and Battleford, \$718,000 and \$275,000 respectively, or \$990,000. Then these were the expenditures for education:

EDUCATION

School for the Deaf--Saskatoon..	\$451,400	
University of Saskatchewan.....	337,600	
Normal Schools.....	131,900	
		920,900
Highway Warehouses.....	\$286,000	
Court Houses and Land Titles		
Offices.....	172,100	

All together that gives a total of \$3,283,000 and covers the increase in the capital debt for 1929 down to the fiscal year 1932, a three year period;

"The essential necessity of the expenditures under the first three main headings can hardly be questioned by anyone at all familiar with conditions in the province in the late "twenties."

The next item of expenditure is on roads and bridges, and during the next three years there was an expenditure for this purpose in the province of approximately \$14,600,000. In addition to that, approximately \$4,000,000 was spent on roads and bridges and charged to relief in 1930, 1931, and 1932, and those two items together give us a total of approximately \$19,000,000. I quote again:

"Commencing with 1933, highway expenditures for both capital and revenue purposes were drastically reduced and this policy has continued to date. This

"policy of deferring maintenance is one which cannot be continued longer if a loss of gas tax revenues and also a loss of capital investment is to be avoided."

When we come to the section having to do with the highways of the province, we shall elaborate on that.

The next paragraph deals with the Saskatchewan Farm Loan Board. That is a board operated by the government of the province, acting under legislation passed by the province. The board loans money to the farmers, and the province in turn supplies the board with the funds. There have been no payments to the board of any size. I will just quote the first paragraph on page 29 in regard to the operations of the board:

"In view of the deficit of 4 1/3 million dollars shown by the most recent Balance Sheet of the Board, it would seem most sanguine for the province to anticipate a lesser amount as its ultimate loss on advances for farm loan purposes."

It is anticipated that there will be a loss made by the board of 4 1/3 million dollars.

THE CHAIRMAN: Or about 25 per cent?

HON. MR. DAVIS: Yes, because the net advances are \$16,000,000.

COMMISSIONER MacKAY: For what purpose are these loans made?

HON. MR. DAVIS: For agricultural purposes, to farmers.

COMMISSIONER MacKAY: For ordinary running expenses?

HON. MR. DAVIS: They are made for capital expenses.

A man may have a mortgage on his farm from a mortgage company, or he may have other obligations and may want to consolidate them, and the province furnishes the money at 6½ per cent, amortized over a thirty year period. The majority of the loans would be for the improvement of the farm. One

of the main objects in the institution of that board was to try to reduce interest rates to the farmers of the province. They had been paying eight and nine and ten per cent, and it was felt by the government that a board of this kind getting into the field and competing with other lending agencies might have the effect of reducing interest rates, but I am very much afraid that it had no appreciable effect. I might add that its operations were linked up with the period of the war, when greater production was being urged of wheat to help the allied cause, and the consequence was that money was loaned where otherwise it would not have been loaned for the purpose of promoting the production of wheat.

The next paragraph deals with the Department of Telephones:

"During the period 1929 to 1932, the indebtedness of the Department of Telephones to the Provincial Treasurer exclusive of loan costs, increased from \$11,071,933.63. to \$12, 772,415.95. "

There is no danger of any loss on that investment because it takes care of itself in its entirety.

THE CHAIRMAN: The telephone system is paying its way?

HON. MR. DAVIS: Yes, it is paying its way, and it always has done so. There have been small deficits, but generally speaking the telephone system is worth more than the investment which the province has in it, and it pays its way.

Next we come to the Saskatchewan Power Commission:

"Early in 1927 the Provincial Government appointed a Royal Commission to inquire into and report upon the economic practicability of generating power at central power plants and water power sites in the province and the

"distribution of such power. The Royal Commission issued its report on July 12, 1928. As a result of this report legislation was passed at the 1928-29 session establishing the Saskatchewan Power Commission.

The Power Commission is both an administrative body and an operating body. In the former capacity it is authorized to make rules and regulations, with the approval of the Lieutenant Governor in Council, regarding the operation and maintenance of plants and lines by municipalities, power companies and others, with a view to insuring proper standards and conditions of safety. The Commission also possesses administrative control over the construction of new power plants or systems and the extension of existing power facilities. In its capacity as an operating body the Commission's fixed capital investment was \$7,500,000.00 as of December 31, 1936, with reserves of approximately \$1,760,000.00."

THE CHAIRMAN: It is paying its way, too?

HON. MR. DAVIS: They are up to date in their interest payments. There is no obligation on the general taxpayers with respect to the power Commission:

"The capital indebtedness of the Commission to the government at April 30, 1937, amounted to \$6,579,000.00 exclusive of loan costs, made up of the following annual aggregate advances. "

Then there follows a Table showing the capital advances to the Saskatchewan Power Commission for the fiscal years from 1929 to 1937, showing that in 1935 we advanced \$35,000, in 1936, \$38,000, and in 1937, \$80,000:

"The capital advances made to the Commission during the past four years cannot be considered as a basis on which to estimate its capital requirements for ensuing years. With anything like a return to normal prosperity

"throughout the province, additional plant capacity will be required, necessitating substantial capital advances."

The Balance Sheet of the Power Commission is to be found on page 35. I do not think it is necessary for me to refer to it now, except that you might like to make a note of it.

THE CHAIRMAN: What areas are supplied with power from this Commission?

HON. MR. DAVIS: They supply the City of Saskatoon, and a large district tributary to it. They are spread pretty well throughout the province, but more particularly in the central and more densely settled portions of the province. There are, in addition, privately owned companies operating power plants, and certain cities, like Moosejaw, has a privately owned system. They sell power to the power Commission. They also have some power lines at Yorkton, and Prince Albert. There is also Canadian Utilities and Montreal Engineering. I do not think they own any central property, but they have power lines. The Dominion Power Company has power lines at Estevan.

THE CHAIRMAN: Who supplies the city of Regina with power?

HON. MR. DAVIS: It is supplied with power by its own plant, and it is a very profitable institution. Had it not been for that power plant they might have had great difficulty getting through this very difficult period.

Next we come to the Saskatchewan Cooperative Wheat Producers Limited:

"Due to the fall in prices of grains the 1929 initial payment made by the Wheat Pools of Alberta, Saskatchewan and Manitoba to growers resulted in a heavy deficit to the Pools. These initial payments were financed by the Canadian Cooperative Wheat Producers, Limited, through a group of seven Canadian Banks.

"With the fall in grain prices, the security held by the banks became inadequate and led to the possibility of a forced liquidation of stocks on hand. In order to prevent this the Governments of the Prairie Provinces guaranteed the repayment of advances so made to the Canadian Cooperative Wheat Producers, Limited. The guarantee was given in March 1930 in respect of grain delivered to the Pools between August 1, 1929 and August 1, 1930. In order that the Government might be protected against this contingent liability, security was given it against the real and personal property of the Pool and its subsidiary companies. In August 1930, the three prairie Provinces gave an additional guarantee to the lending banks for amounts required to complete the financing of the 1929 crop.

The final liability of the provinces under their guarantee to the lending banks, calculated to September 30, 1931, after disposal of the 1929 crop, amounted to \$22,217,302.25, divided as follows:

Alberta	\$4,436,707.49
Manitoba	3,374,939.78
Saskatchewan	13,305,654.98

\$22,217,302.25

THE CHAIRMAN: Has that liability been discharged?

HON. MR. DAVIS: Yes, Mr. Chairman, the next paragraph covers that.

"Ultimate settlement was made by Saskatchewan with the lending banks by the latter accepting \$13,752,000.00 of 4½ per cent provincial bonds at 98."

That discount of two per cent would account for the difference between the \$13,300,000 and the \$13,700,000 of bonds actually issued.

"The agreement between the Pool and the government provides for the retirement of this amount by equal yearly payments of principal and interest spread over 19 years, interest to run at five per cent. In addition to the payments provided by the agreement there was a small initial payment made by the Pool to the government.

The indebtedness of the Pool to the government, relative to principal, at April 30, 1937 was \$11,584,552.22.

In view of the security of approximately fifteen million dollars of fixed assets, on a depreciated basis, held by the government against this indebtedness no loss at this time should be contemplated."

The government considers it is amply secured in this regard. The payment of both interest and sinking fund have been made to date. There is no danger of the government ever being called upon to meet that. The Saskatchewan Pool elevator is a subsidiary of the Wheat Pool. It owns over one thousand line elevators in the province and certain terminals outside the province, and this is the security which the province has. There is no danger of the province being called upon to pay anything in that regard.

Next we come to the Saskatchewan Cooperative Creameries, Limited.

"On the creation of the Province of Saskatchewan, responsibility for government creameries, supported up to then by the Dominion, was transferred to the province. In 1906 the Dairymens Act was passed by the new legislature."

Then we describe the different steps that were taken. I do not know that you would be very much concerned with the different steps that were taken and which ultimately resulted in the government owning the Saskatchewan Cooperative Creameries, Limited; that is, we have a charge on it, which more than

equals the entire assets of the organization:

"As of April 30, 1937, the province had owing to it, by the above company--

That is the Saskatchewan Cooperative Creameries, Limited:

"--\$2,760,712.44 of principal advances plus \$292,247.31 of interest or a total of approximately three million dollars. The company is presently in the hands of a Receiver and while it is conjectural as to the ultimate loss the province will suffer, it will undoubtedly be substantial."

That is, the assets of the company, if they were realized upon as a going concern, would not begin to recoup us for the advances we have made and the liabilities incurred. There is going to be a loss of at least one million dollars in this regard.

THE CHAIRMAN: Was there a loss incurred in marketing the products?

HON. MR. DAVIS: The loss was incurred over a period of years in operating the company. Partly in marketing operations and partly in administration. I doubt if the company has been more efficiently managed than it is to-day. It is now doing excellently, but is still in the hands of the Receiver and will ultimately become the property of the government.

And now for the Summary.

CAPITAL EXPENDITURES AND ADVANCES--SUMMARY

"As evidenced by the foregoing remarks, capital expenditures and capital advances made during the period 1929-1937 have contributed very materially to the increase in public debt. Advances due from the Wheat Pool, Telephones and Power Commission aggregating some \$30,500,000.00 may be considered as investments that will

"not cause a hardship from the standpoint of provincial debt charges, as these enterprises will undoubtedly prove self-sustaining, in so far as interest is concerned.

With respect to the Power Commission, capital requirements will undoubtedly increase much beyond the requirements of the past four years.

The outlook relative to the Farm Loan Board and the Cooperative Creameries can scarcely be viewed with particular optimism.

That is, we are going to make a loss, and a substantial loss, on both:

"As stated heretofore, the retrenchment policy of the 1933-37 period with reference to public buildings and public improvements has reached its limits and substantial provision will have to be made almost immediately for raising capital money for these purposes if the province is to function satisfactorily."

We deal with the necessities in this regard at a later stage. Then on the top of page three we deal with revenues and expenditures:

REVENUES AND EXPENDITURES--INCOME ACCOUNT

"With the increases of the past few years in gas tax, motor licenses, corporation and succession duties tax as well as in public revenues tax, and with the introduction of a provincial income tax and education tax, it is generally agreed that taxation for provincial purposes has reached its limits. Reference to this is dealt with in the division of this submission relating to taxation."

Then in the section of the brief relating to taxation we give the results; we deal with each one of the taxes, and indicate at the conclusion of that section that we are taxed as heavily as it is possible for the people of this

province
/to be taxed and be able to carry on.

THE CHAIRMAN: You have put on a sales tax this year?

HON. MR. DAVIS: A two per cent tax on sales allocated for educational purposes. We have increased the school grants by one-third in the case of the elementary schools, and there has been a lesser increase in the case of the secondary schools. We are also making provision to retire promissory notes which teachers have had to accept in lieu of salary in the last two years in certain sections of the province. But that will be dealt with a little later on in the brief. I continue now at page 33:

"Despite the material increases in taxation of the past few years, revenue expenditures have continued in excess of revenue receipts, with resulting revenue deficits occurring annually. Two factors have been mainly responsible for this condition.

1. An almost phenomenal rise in annual debt charges;
2. An ever-increasing financial burden due to
an evolving concept of the functions of a Provincial Government.

A summary tabulation of revenue receipts, in comparative form covering a period of years, is set forth in Table III. Revenue receipts appear in detail in statement--13 in the appendix."

The Appendix is on page 385, but I doubt if it is necessary for me to refer to it now.

On the next page will be found Table III, on page 34. It gives a condensed statement of revenues--income account for the fiscal years 1911, 1916, 1921, 1926, 1931 and on up to 1937. First the Dominion subsidy is shown, amounting in 1911 to \$1,230,000 and to \$2,120,000 at the present time. That is over and above a special subsidy that we are

in receipt of and which will be referred to later. From school lands we received in 1911, \$99,000, and in 1937, \$1,022,000. That is entirely by way of interest on government of Canada bonds and on schoolland contracts held by the province itself. We received in taxation from our own people \$155,000 in 1911, and that jumped to \$5,748,000 in 1937. Licenses and other forms of provincial taxation realized \$165,000 in 1911 and they now produce, in 1937, \$1,850,000. Fees and other sources of provincial taxation produced \$529,000 in 1911 and \$976,000 in 1937. The next items are liquor profits and old age pension refunds. These are refunds of seventy-five per cent from the federal treasury; and then miscellaneous revenue. I now quote from page 33 of the brief:

"As indicated by this Table the most important single source of revenue is the Dominion Subsidy and School Lands Fund."

They make up by far the most important source of revenue we have:

"Historically, the foundation of all provincial revenue systems has been the Dominion Subsidy. In total, the subsidy for Saskatchewan has approximated two million dollars for a period of years. The Dominion Lands Act set aside two sections in every surveyed township for the purpose of education. This land has been sold from time to time and a School Lands Fund was created out of the proceeds of these sales. The fund is administered by the Provincial Government, interest from the Fund being required to be expended for educational purposes.

In addition to the Dominion Subsidy and School Lands Fund there are three important non-tax sources of provincial revenue.

(1) The most important of these three is interest

"received by the Province on its advances to the Department of Telephones, Power Commission, Wheat Pool, Farm Loan Board, Cooperative Creameries and other proprietary activities.

(2) Operations of the Saskatchewan Liquor Board produce a very substantial amount of non-tax revenue. While the profits from this source have diminished greatly during the past few years, with a return to more prosperous times liquor profits should annually amount to at least two million dollars.

(3) A further non-tax revenue accrues from the sale and leasing of provincial resources, and from miscellaneous fees and licenses collected by the Department of Natural Resources.

Taxes and Licenses produced 45 per cent of provincial revenues for 1936-37, exclusive of old age pension refunds. Of a total of 7.6 million dollars realized in 1936-37 from taxes and licenses, in excess of ninety per cent was obtained from six main sources,--Corporations, Railways, Public Revenues, Gasoline and Income Taxes and Motor Licenses."

That is 45 per cent of our revenues that year came from taxation within the province, which amounted to 7.6 million dollars, and 90 per cent of that came from the sources above mentioned:

"Table IV presents in a slightly different way the principal sources of provincial revenues covered by Table III."

Table 4 appears on the next page. It shows the main sources of our revenues, and you can see by the blanks when the new taxation came into effect. We have had the Dominion subsidy, School Lands, Interest, Corporation Tax, Railways Tax every

year from 1911 to 1937. The Public Revenues Tax came into effect in 1921, although there was a Supplementary Tax prior to the Public Revenues Tax. The Public Revenues Tax is a tax on land, and we shall deal with that later. The Income Tax was a new tax with us in 1933, and it produced in that year \$404,000. We have had Succession Duties since 1911. Our gasoline tax came into being in 1931, and our Liquor Profits Tax in 1926. Our Public Domain tax came into effect in 1931, when the natural resources were transferred to the province. Then there was the Old Age Pension Refunds when the old age pension came into being, and the last item is Miscellaneous.

THE CHAIRMAN: Do you give an estimate of what the present rates of taxation may be expected to yield in a normal year?

HON. MR. DAVIS: Yes, we have gone into that in great detail. We have prepared an actual budget, which appears in Part XI, at page 306, under the heading of "Provincial Finance--The Probable Future." We have taken the average year as we think it will be projected into the future and the average expenditures and revenues, showing what we would anticipate in a normal year. That is all set out in Part XI in detail.

THE CHAIRMAN: Thank you very much.

HON. MR. DAVIS: I turn again to page 35:

"Debt charges accounted for in excess of 40 per cent of expenditures for 1937, and bulks by far as the largest single item of expenditure. While this item of expense is partially offset by interest receipts, the net magnitude it has assumed in recent years may be better appreciated when it is realized that "net" debt charges have more than tripled since 1921. As this com-

"parison is exclusive of interest on relief indebtedness, the trend is all the more significant. When interest on relief indebtedness is included debt charges for 1937 amounted to 49 per cent of ordinary expenditures and 52 per cent of ordinary revenues."

That is, the interest on the treasury bills held by the Government of Canada is not paid in cash but is capitalized on the maturity of each treasury bill, and that debt is increasing annually as the result of that capitalization. Without that capitalization the debt charges now take up 40 per cent of the expenditure for 1937.

PUBLIC WELFARE

"Public welfare and education expenditures combined to surpass even debt charges in relation to total expenditures, accounting for over 40 per cent of 1936-37 expenditures. Public welfare expenses are considerably offset by refunds of Old Age Pensions. In 1921 these two classes of expenditure totalled approximately \$3,200,000.00 as compared with over \$6,300,000.00 for the fiscal year 1936-37, after deduction of Old Age Pension Refunds of over \$1,739,000.00."

When we come to the Social Services section you will note what we include in Public Welfare and Social Services.

THE CHAIRMAN: Why should there be such a marked difference between the two periods?

HON. MR. DAVIS: As the revenues of the province have gone down through the depression and because of the drought and low prices, the ability of the people to maintain themselves has decreased and the demand for services has increased very materially. The lower our revenues go, up go our expenditures on that type of public service.

THE CHAIRMAN: When you speak of old age pensions,

is that the amount the Dominion government pays?

HON. MR. DAVIS: They pay 75 per cent of the total expenditure. The expenditure of the province on this account has increased tremendously in recent years because of conditions. People who would not ordinarily be in need of such assistance have found it necessary to have it. I continue on page 35:

"With in excess of 80 per cent of provincial expenditures being utilized for debt charges and education and public welfare expenses, it is evident that substantial adjustments will be necessary if a balanced budget is to be achieved."

Paying our interest on the public debt, continuing the present scale of grants for education, maintaining old age pensions and miscellaneous grants for maternity and other social services takes up 80 per cent of our provincial expenditures leaving only 20 per cent for other purposes;

"These adjustments may involve one or more of the following:

- (1) A substantial scaling down of interest rates.
- (2) An assumption by the Dominion of a greater portion of the cost of social services.
- (3) Increased subsidies.

(Detailed statements relating to the finances of this province are included in appendix A to this submission.)

(Page 1300 follows)

(Hon. Mr. Davis continuing.)

That can be found at page 337.

Now we come to a consideration of the relief problem. The figures are startling. I might at this point file as an exhibit a statement in detail of relief expenditures for the period covered by the brief.

EXHIBIT NO.36: Detailed statement of relief expenditures.

HON. MR. DAVIS: The first paragraph on page 38 under the heading, "Relief 1929-1937" reads:

" During the years 1925 to 1928 inclusive, wheat crops in Saskatchewan averaged 260 million bushels, with the price approximately \$1 per bushel. In 1929 a partial crop failure resulted in a yield of 160 million bushels. Despite the remarkable prosperity of the four preceding years, the reduced crop of 1929, combined with a decline in price, made it necessary for the government to expend three-quarters of a million for relief purposes."

That would be due to the smaller farms on which there are large families living on a more or less subsistence basis, unable to do more than maintain themselves. If they lose a crop they are in difficulties.

" Commencing with 1930 and continuing to date, reduced yields and substantial declines in prices have lowered agricultural income to unprecedented levels. As stated heretofore, so prolonged a period of diminished agricultural income has resulted in government disbursements of tremendous amounts in an endeavour to reestablish agriculture and to maintain a substantial portion of the population of the province. While the problem of relief has been a serious one throughout the entire dominion, in no

"other province has it been as acute as in Saskatchewan."

I think that statement is generally recognized by all the people of Canada, in view of the aid given us.

" Table VI exhibits in tabular form the amount expended annually for relief from September 1, 1929, to April 30, 1937. As indicated by this table, a total of \$110,600,000 has been spent by the province in less than eight years. This is entirely separate from expenditures made by municipalities from their own funds and does not include well in excess of fifteen million dollars of provincially guaranteed loans and advances covering moneys expended by the municipalities and loan companies for relief purposes and seed grain during the period under review."

That is the colossal sum which we have had to spend in a period of eight years. It is double the entire debt accumulated by the province from its inception down to 1929.

Table 6 shows that the amount spent in 1929-30 was \$783,188 and in 1931-32 twenty million dollars odd. The figures for relief expenditures for the years from 1929-30 to 1936-37 are as follows:

" Fiscal Year	Amount
1929-30	\$ 783,188
1930-31	3,031,957
1931-32	20,682,744
1932-33	13,249,178
1933-34	12,705,455
1934-35	21,747,248
1935-36	19,617,989
1936-37	18,784,879
Total.....	<hr/> \$ 110,602,638 <hr/>

This year the amount will be in excess of any of these figures; it will be \$30,000,000 anyhow. These, as I say, are staggering figures.

Of a total expenditure by the province of \$110,000,000 odd the federal government has contributed \$35,000,000 odd and recipients and municipalities provided \$4,318,000 leaving a cost to the province of approximately \$70,000,000. As indicated at the bottom of page 33, that amount has been financed by the sale of treasury bills, mainly to the Dominion Government, of \$ 57,844,000. That is where the major part of the money came from. Treasury bills were sold to others to the amount of a over \$1,000,000 and sale of debentures accounted for \$5,519,000.

THE CHAIRMAN: You say that the total relief expenditure is \$110,000,000 odd?

HON. MR. DAVIS: Yes.

THE CHAIRMAN: And you give the details of \$70,000,000?

HON. MR. DAVIS: Yes; we show how we got the \$70,000,000. As a province we are liable for \$70,000,000 of the \$110,000,000, and the details show how we financed it by the issuing of treasury bills, in the main to the federal government.

The \$110,000,000 odd is classified under three main headings. There is an amount of \$46,000,000 odd for direct relief services. That is for food, clothing, coal and shelter. That is for human relief. For agricultural reestablishment services the amount is \$39,000,000 odd -- feed and fodder -- and for general relief services there is an amount of \$24,600,000.

THE CHAIRMAN: What is the difference in basis between relief in the city and relief in the country? I can understand that the nature of relief provided might be

different in the two cases. In the country do you have to provide food and clothing as well as in the city?

HON. MR. DAVIS: Yes; we have to provide clothing and we must also provide fuel. In the country, naturally, the majority of the people have their own homes and therefore there is no rental allowance; but you must provide fuel, clothing and food. And in the cities in addition to fuel, food and clothing we must provide shelter, water and light.

The allowances to the individual in the city are in excess of the allowances to the individual in the country. In the country, under ordinary circumstances, a man has some revenues from his farm in the production of foodstuffs, and therefore it is easier for such individuals to carry on on a smaller amount than is possible in the city.

In the city the majority of the people must buy food from day to day in small quantities and consequently the cost of living is much higher in the urban centres than it is in the rural parts. That is the reason for the disparity in the amount of the allowance between the two.

" With reference to relief guarantees as of April 30, 1937, it should be stated that the government has since assumed as a direct liability some five and a quarter million dollars of provincially guaranteed municipal bank loans.....

In connection with the cancellation and write down of provincial treasury bills held by the dominion, a total of approximately of \$28,400,000 is involved."

I have already explained that. Detailed references to the cancellation are included in Exhibit A.

" As indicated by the foregoing, the cost of relief to the province to April 30, 1937, will be reduced from

\$70, 582,000 to approximately \$42,182,000 plus such portion of relief guarantees as the future may determine."

In other words, with the write off of \$28,000,000 our share of relief for the eight years in question is \$42,000,000 odd, which will be held largely by treasury bills issued to the government of Canada.

" The acute character of the relief problem of the current fiscal year is so generally recognized that it is hardly necessary to dwell on it at length.

While it is difficult to estimate what the actual cost will be, it is already evident that it will be greatly in excess of that for any previous year.

Feed and fodder and seed grain will be needed for practically the entire province, and in addition there will be a marked increase in direct relief costs.

This brings us to the portion of the brief presenting the financial position of the province, and from there we go on to deal with the possibility of balancing the budget by economies of government. Are there any questions which you would like to ask Mr. Chairman, or any information that you would like to obtain with respect to the actual financial position of the province?

THE CHAIRMAN: If you were relieved of the burden of relief and the dominion took over the entire cost of relief, as Manitoba has suggested, how far would you go towards balancing your budget?

HON. MR. DAVIS: In that connection I would refer the Commission to page 318. There you will find a statement showing that the net cost of relief to the province to April 30, 1937, was approximately \$42,000,000 after taking into consideration the write down and cancellation of treasury bills. That paragraph is in the middle of the page and this sentence appears:

" In the event the question of relief is considered a national problem and the province relieved of its share of the cost by, say, the cancellation of \$42,000,000 of three per cent treasury bills, the estimated deficit for an average year would be reduced to \$3,681,000."

That is based on the projected budget which we will deal with in detail. On the basis of a future budget, dealing with the different things deemed necessary, it would leave us with a deficit of \$3,681,000.

THE CHAIRMAN: That is not on the basis of the present budget? On the basis of your present budget, how would you stand if your charge for relief were removed?

HON. MR. DAVIS: Interest at the present time is capitalized and is not included in either receipts or expenditures and therefore would not affect the deficit we have.

THE CHAIRMAN: What is your deficit this year? Have you reached that point?

HON. MR. DAVIS: It will be worse than it was last year.

THE CHAIRMAN: In dealing with relief in this province, do you distinguish between employable and unemployable persons?

HON. MR. DAVIS: That has never yet been done. The dominion government, apparently, is moving in that direction as the result of the new agreements being submitted to the provinces, which necessitate the municipalities breaking down the relief problem into employables and unemployables.

THE CHAIRMAN: In Manitoba they have always done it. The city of Winnipeg has always borne the entire cost of

unemployables and has shared with the province and the dominion the employables.

HON. MR. DAVIS: We have never made that differentiation here, and in recent years we have borne 80 per cent of the cost of direct relief in the urban centres. For every dollar spent we pay 80 cents and the municipality 20, but the municipality in addition pays administration costs, hospitalization and medical aid. So that those figures do not give a true picture of exactly what the municipalities do in this regard.

THE CHAIRMAN: Even before you came upon this period of depression in which you have had to give relief, there was always in the larger urban municipalities, I should assume, an occasional family in which, owing either to feeble-mindedness or to some other disability, the man was unemployable. Such people have had to be cared for-- or were you fortunate enough not to have such families in your midst?

HON. MR. DAVIS: There were certain of those who were borne entirely by the municipalities. There is an appendix that indicates the exact contribution of the municipalities in that regard, and it is astounding how small the amount actually has been.

THE CHAIRMAN: A very small amount?

HON. MR. DAVIS: A very, very small amount.

THE CHAIRMAN: Has the Unemployment Commission furnished you with a definition of the terms unemployable and employable?

HON. MR. DAVIS: Yes. Now, my lord, if you will turn to page 411 you will find a statement showing direct relief advanced in the three cities of Regina, Saskatoon and Moose Jaw. You will find that in 1927

Regina paid, roughly, \$9,800, Saskatoon \$15,000 and Moose Jaw \$2,959.

THE CHAIRMAN: There has been no classification under the new agreement?

HON. MR. DAVIS: No. As regards the new agreement and its application to the province, we felt that while it might be desirable to break down the problem and segregate the employables, taking such steps as might be deemed fit to make the employables capable of employment, it would be impossible. We have a population of 928,000 and there are 500,000 in receipt of governmental assistance this winter.

THE CHAIRMAN: More than fifty per cent?

HON. MR. DAVIS: Yes. These are not unemployables. The farmer is employed; he is working even though he gets nothing as the result of his employment. And such people constitute the vast bulk of the 500,000. The vast majority of them are in that category, and as I say, they are not unemployed in any sense of the term. They are working, notwithstanding that their efforts have been unfruitful through lack of production.

THE CHAIRMAN: Have you the figures broken down as between urban and rural?

HON. MR. DAVIS: Yes.

THE CHAIRMAN: That is to say, on relief?

HON. MR. DAVIS: Yes, that can be readily secured.

THE CHAIRMAN: When you speak of 500,000 being on relief, how many of those would be rural and how many urban?

HON. MR. DAVIS: I have not the figures at the moment but I can get them. We have, however, roughly speaking, 500,000 in receipt of governmental assistance

receipt in some form or another.

THE CHAIRMAN: I should assume that if agricultural conditions improve, as you hope they will, the rural problem will take care of itself. If they do not improve, these people will have to move out.

HON. MR. DAVIS: One of the most striking illustrations is to be found in the Davidson section immediately north of Regina. In 1936 they had a good crop with the result that, from a condition wherein nearly 100 per cent of the people were in receipt of aid, the relief was reduced to five per cent; in other words, 95 per cent of those people were able to take care of themselves, and they seemed to be glad to do it. With the crop failure this year, however, 100 per cent are back where they were.

MR. ST. LAURENT: Does not some of that information appear on page 410?

HON. MR. DAVIS: Yes.

MR. ST. LAURENT: In eight cities for which figures are given the number of employable persons on relief in 1936 was 9,050 and the number of unemployable persons on relief was 18,800; and for the towns the number of employable persons on relief was 1,700 while the number of unemployable persons on relief was 1,820.

HON. MR. DAVIS: There must have been a breakdown although they are not treated differently.

MR. ST. LAURENT: That would show that less than 30,000 of the 500,000 would be persons on relief in the cities or towns?

HON. MR. DAVIS: That would be nearly right.

MR. ST. LAURENT: Those figures will be found at page 410. The first half of that table gives information

with respect to the eight cities of the province while the second half refers to the towns. In the section giving the figures for the cities, in the last line but one, you will find under the year 1936 the number of unemployable persons on relief given as 18,800.

HON. MR. DAVIS: That does not include hamlets or villages.

MR. ST. LAURENT: The number of employable persons in the year 1936 is given in the line immediately above the line showing the unemployables, and the number of employables on relief -- that is, for the cities -- is shown to be 9,050.

HON. MR. DAVIS: We will get the exact figures brought down to date for submission to the Commission to-morrow morning. It will show the number of rurals as well as the urban population and will break down the urban portion, if possible, into employables and unemployables.

THE CHAIRMAN: In view of these figures, having regard to the population of your eight cities, the percentage on relief in the cities would not appear to be so great.

HON. MR. DAVIS: Of course, even if the figure were larger, so far as the employables are concerned, there would be a quick reaction consequent upon an improvement in conditions in the rural sections, for the reason that the urban sections depend to a very considerable extent upon agricultural activities. They are as a matter of fact distributing centres for agriculture.

THE CHAIRMAN: There seems to be a substantial percentage of unemployables in these figures.

MR. ST. LAURENT: If you will turn to table 4, at page 134, you will find set out the distribution of urban

and rural population for the years 1901-1936, and in 1936 the urban figure is 280,371.

HON. MR. DAVIS: Yes; those figures are compiled from the returns of the census of the prairie provinces in 1936.

THE CHAIRMAN: What is the total of employables and unemployables in the cities?

MR. ST. LAURENT: Taking the cities and towns together, the number is 31,000.

THE CHAIRMAN: What are the figures for Regina?

HON. MR. DAVIS: Perhaps Mayor Ellison would answer that question.

MAYOR A.C. ELLISON (Regina): The estimated population of Regina is 55,000 and on relief there are 11,370 or approximately 21 per cent. A breakdown of that figure shows, in city and government cases, 10,170 on relief. But that does not include ex-service men. It has no reference to the Department of Soldiers Civil Reestablishment. There are 2,765 heads of families, of whom there are 1,200 unfit wholly or in part. Of the unfit, 359 are attributable to age; 509 to chronic diseases or defects and 332 to other diseases.

HON. MR. DAVIS: I do not know what the figures are for Moose Jaw; perhaps the Mayor of that city can inform us.

MAYOR H.S. JOHNSTONE (Moose Jaw): The high point of relief was reached in March, 1934, when there were 27 per cent of our population on relief. Now it is running from 22 to 24 per cent.

THE CHAIRMAN: And what about Saskatoon?

MAYOR R.M. PINDER (Saskatoon): We have approximately 6,000 unemployed out of a population of about 43,000, or about 15 per cent on relief.

HON. MR. DAVIS: I do not know whether Mayor Ellison can give us a breakdown of the employables and unemployables?

MAYOR ELLISON: We have, roughly speaking, 1700 wholly employable, 372 partially employable and 673 totally unemployable.

THE CHAIRMAN: Might I ask, Mr. Davis, under what categories most of these wholly unemployable persons fall? For what reason are they wholly unemployable?

MAYOR ELLISON: In most cases, sir, it is a question of age. There are 800 who have moved in owing to physical disability. Of the 670 total unemployables, probably in the neighborhood of 450 are farmers who, through age and sickness had to leave their farms and come to the cities.

HON. MR. DAVIS: We will have Mr. Dawson, head of the relief distribution, available to-morrow.

THE CHAIRMAN: Some of these figures may show how expenditures in the past ten years have gone up from year to year.

HON. MR. DAVIS: That is in the appendix.

THE CHAIRMAN: From 1929?

HON. MR. DAVIS: You will find a summary of expenditure set out on page 387 and the details are given on page 388. It will be sufficient to refer to page 387, which will show how the expenditures run over the period. If you look at page 388 you will find that the debt charges in 1911 amounted to \$192,000 odd whereas in 1937 the amount was \$7,000,000.

COMMISSIONER SIROIL: No relief is mentioned in that.

HON. MR. DAVIS: No; that is exclusive of relief. The statement shows that the amount expended in connection with the Legislature and the operation of the Executive

Council is small in comparison with the total expenditures. Total legislation amounted to \$168,000 odd.

THE CHAIRMAN: If relief is not included, what is included in public welfare? There is a large increase.

HON. MR. DAVIS: Included in that is education; It starts at the foot of page 392. It is all set out in detail. Under public welfare we have public health comprising Boards of Health, clinics -- the Saskatchewan Cancer Commission -- grants to health associations, bacteriological laboratory, communicable diseases control and so on. The total in 1937, as indicated in the right hand column on page 392, is \$191,000 odd. On page 393 are shown the figures for public institutions. Mental institutions account for \$107,057.77 in 1911 and that must increase, for it is absolutely essential. T.B. Sanatoria, in 1937, amount to \$282,000 odd. We build the sanatoria, providing capital cost and bearing the interest and the anti-tuberculosis League operates them. We pay \$1 per person per day in the institution and the rest is levied by municipal taxation.

COMMISSIONER SIROIS: Is that in Prince Albert?

HON. MR. DAVIS: Prince Albert, Qu'Appelle and Saskatoon. The individual who goes in does not pay anything, regardless of the length of time he remains in the institution. There is no charge against him, the cost being borne by the government.

THE CHAIRMAN: There has been no appreciable increase in that item since 1931.

HON. MR. DAVIS: No.

THE CHAIRMAN: In 1931 the amount was \$281,380.

HON. MR. DAVIS: Yes. You will find, midway down the page, that hospital grants have increased from \$45,000 in 1911 to \$416,000 in 1937. We pay the hospitals fifty

cents per day per patient, whether the patient is indigent or not. Then there is the old age pensions item, which is a considerable one. We have an item for child welfare and maternity, the grants amounting to \$141,000 this year. For mothers in outlying places where there are no medical facilities we have an item on page 393.

THE CHAIRMAN: There is no material increase; in 1931 it was \$524,000.

HON. MR. DAVIS: In Mothers' Allowances?

THE CHAIRMAN: Yes.

HON. MR. DAVIS: As a matter of fact there was actually a decrease. It was \$301,000 in 1926 but in 1934 it started up again. These Mothers' Allowances are generally called Widows' Pensions, but they are not pensions. Instead of taking the children and placing them in an institution the government thinks that it would be better to make the mother a small grant for their maintenance in their own home; but the grant is in respect of the children.

THE CHAIRMAN: How is the grant given?

HON. MR. DAVIS: It is \$8 a month for the first child and \$4 each thereafter.

COMMISSIONER SIROIS: In your opinion, does that work satisfactorily?

HON. MR. DAVIS: Yes.

MR. ST. LAURENT: Taking the two columns for 1931 and 1936 you will find that old age pensions account for practically the whole increase. The other totals are practically the same.

THE CHAIRMAN: That shows that the people of Saskatchewan are growing old.

HON. MR. DAVIS: There was a period when the older people moved to the Pacific coast but now they cannot get out.

HON. MR. DAVIS: The next section has to do with economies. That first section had reference to the present financial position. Later on at page 309, we will project the future. Leaving that, we go on to an examination of costs of government to see whether we can reduce expenditures in the province; and subsequently we will deal with the section having to do with taxation, and examine the scale of taxation, to see whether we can balance the budget by a greater taxation in the province.

I would refer the Commission now to the heading, "Economies of Government" in the middle of page 40. I read:

" On the 21st of August, 1936, the government of this province set up a Commission, under The Public Enquiries Act, to inquire and report upon --"

That became known as the Jacoby Commission. The purpose was to inquire into the whole subject of taxation within the province and the possible delimitation of the fields of taxation. The object of the Commission, as stated in the brief, was to investigate:

"the whole subject of taxation within the province of Saskatchewan; the possible delimitation of the fields of taxation; the broadening of the basis of taxation; the development of a more adequate and equitable system of taxation and the extent of division or re-division of responsibility for the furnishing of governmental services, and without restricting the generality of the foregoing to particularly inquire into

"the whole subject matter of taxation of every kind and nature within the province, whether imposed by the federal, provincial or other local taxing authorities within the province; the whole system of assessment for taxation purposes within the province; the whole system of revenues and expenditures being received and made within the province by the various taxing bodies; the whole question of services being furnished to the people of the province by various governmental bodies and the question of the extent of reallocation or redivision of responsibility for such services; and generally, every aspect of taxation, assessment, revenue, expenditure, services rendered and division of responsibility therefore.

This Commission, known as the Jacoby Commission, made its report on the 19th of December, 1936. A copy of its report is filed with this brief.

One of the subjects dealt with by the Jacoby Commission was the possibility of balancing the budget by economies in expenditures, and its findings are set out in heading 7, page 35, which reads as follows:

" Examination of the course of expenditures of those departments engaged in providing the 'normal' services indicate that substantial reductions have in fact been made in this class of expenditure since 1931. School grants were cut by one-third in 1932. Salaries of civil servants have been cut repeatedly and considerably. Even so, the aggregate savings bulk small by comparison with the vast new relief obligations."

"The annual payroll of all departments of provincial governments (excluding proprietary agencies and the Department of Telephones) aggregates approximately \$3,240,000."

The proprietary agencies mean the power commission, the cooperative creameries, the liquor board and other organizations of that kind.

"A horizontal cut of 25 per cent in the salaries would save \$820,000 per annum, which represented but 4.7 per cent of total provincial expenditures charged to revenue during the fiscal year 1936. So drastic a cut would bring lower paid employees down to relief levels of compensation, and the 'saving' realized by such a policy would prove illusory through reduction in the quality of service rendered. Moreover, much expenditure is not 'readily controllable,' such as interest on public debt.

Subsequent to the report of the Jacoby Commission, it became necessary for the Government of Saskatchewan to ask the Federal Government for an additional subsidy for the purpose of maintaining the solvency of the province. The province indicated to the government of Canada a willingness to have its financial affairs inquired into by any independent source. In response to an invitation from the provinces and the Dominion, the Bank of Canada conducted an inquiry into the finances of the province. This inquiry was duly completed and the Bank of Canada Report, issued as a result of the inquiry, was published on the 15th March, 1937."

I shall file that as an exhibit.

MR. ST. LAURENT: The Jacoby Report, which is referred to on page 40 of the brief, will be filed as Exhibit 37.

EXHIBIT NO 37: Copy of the Report prepared by the Jacoby Commission.

HON. MR. DAVIS: I refer to Heading 7 on Page 35 of the report. The brief continues:

"The Bank of Canada, during the course of its investigations, looked into the possibility of government economics being practised by the province, and on Page 14 of their report is to be found the following remarks relative to reduction in provincial expenditures:

'From then to the present time, Saskatchewan has made drastic economics in all controllable and capital expenditures.'

THE CHAIRMAN: What do they mean by "from then"?

HON. MR. DAVIS: I think that period is about 1929. We have a copy of the report and I shall file it. I think it is about 1931 or 1932. There is a section in the report where they state they made an examination into the possibility of our restricting expenditure and thereby assisting ourselves to bring the budget more into line. I am told it is from 1933. The report continues:

" 'Additional cuts in civil service salaries have been put in effect. In many cases the retrenchment has gone too far to permit the government to perform its functions satisfactorily and efficiently or to maintain its capital assets. The lack of adequate maintenance expenditure on the highway system for example, has allowed it to deteriorate, so that much larger sums will now be necessary to rebuild it. It is difficult to single out the individual services which have suffered most severely, but something should be said of the need for additional expenditure for the care of the insane and for cases of serious illness, and also concerning the plight of education in general and rural school teachers in particular. The school teachers are in part the responsibility of the rural

municipalities which, however, are, in a large part of the province, completely bankrupt. The current level of teachers' pay is distressingly low, and the standards of education must eventually suffer.

In brief, retrenchment of ordinary expenditures has been carried as far as, and in some instances farther than reasonable, and current ordinary expenditures are at a level which it may be neither possible or desirable to maintain. Although slow in starting, since 1932-33 Saskatchewan has made greater cuts in virtually all controllable expenditures than any other province, with the exception of some instances of Manitoba.

That a determined effort has been made to curtail expenditures has been agreed upon by the two authorities referred to above. With the object of supplementing the conclusions arrived at by these authorities, Table VII is submitted, setting forth a breakdown of revenue expenditures as between controllable and uncontrollable expenditures. All governmental expenditures, within the strict sense, are controllable. However, it has become generally recognized that because of the nature of certain expenditures such as debt charges, school grants, hospital grants, old age pensions and mothers' allowances, they are actually uncontrollable rather than controllable.

The immediate reaction to a study of Table VII is the rigidity of expenditures due to the almost preponderant relation of uncontrollable to controllable expenditures. Whereas in 1911, 43 per cent of provincial expenditures were controllable, for the fiscal year 1936-37, less than 16 per cent were subject to

control. It should be noted that included in this latter division is the cost of highway maintenance and civil service salaries, accounting for approximately 75 per cent of controllable expenditures for 1936-37.

With respect to highway maintenance the Bank of Canada has already reported that reductions have been carried to the point where loss of capital investment is threatened."

THE CHAIRMAN: Just before passing on may I ask you a question. You speak of these items as uncontrollable. How does your scale of Mothers' Allowances compare with that in other provinces, or have they corresponding legislation?

HON. MR. DAVIS: I believe they have in the prairie provinces.

HON. MR. PATTERSON: Manitoba is much higher than ours, and Alberta is also, I believe, but I am not sure. Manitoba is certainly higher. Our old age pensions are less because we have, as a general rule, not been paying the maximum. We pay \$15.00 as a maximum instead of \$20.00 as the law provides.

THE CHAIRMAN: Does the Dominion Act fix the scale within the limits of which the amount may be paid?

HON. MR. PATTERSON: Old age pensions?

THE CHAIRMAN: Yes.

HON. MR. PATTERSON: It fixes a maximum of \$20.00, and that is reducible according to the income of the recipient.

THE CHAIRMAN: \$20.00 a month?

HON. MR. PATTERSON: As the maximum; but a man may be entitled only to \$12.00 because of his income outside. For some years in Saskatchewan we have followed the general practice of paying a maximum of \$15.00 unless there were some special circumstances, such as ill health or something

of that nature which made it necessary to pay the \$20.00

HON. MR. DAVIS: Gradually they have been getting \$20.00. We have been getting back to \$20.00 as gradually as we can. More and more of those in receipt of \$15.00 have been put on the \$20.00 basis. It is interesting to note that the two parties, the Jacoby Commission and the Bank of Canada refer to those sources. I shall file the Bank of Canada report as an exhibit.

EXHIBIT NO. 38: Bank of Canada
Report in regard
to finances of
Saskatchewan.

The Bank of Canada made examination into the expenditures of this province, and as a result reported in that report --

THE CHAIRMAN: Are you suggesting in this report that the dominion should take over the whole of the old age pensions?

HON. MR. DAVIS: Yes.

THE CHAIRMAN: It would then go up to \$20.00 I suppose.

HON. MR. DAVIS: I think that it should. If we could pay it we would do it at once.

HON. MR. PATTERSON: I might explain it was \$20.00 in the more fortunate days of the province. That reduction was effected around 1932 or thereabouts to effect economy generally.

THE CHAIRMAN: By reason of your financial situation?

HON. MR. PATTERSON: Yes.

HON. MR. DAVIS: I want to direct your attention, Mr. Chairman, and members of the Commission, to table 7 and supplementary table. I presume all expenditures are controllable. We could default on our interest. It is controllable in that regard, too. We could repudiate it. We could stop paying Mothers' Allowances. We have definite

things that are deemed to be essential and necessary and fixed by statute. We have included them in the uncontrollable column. Most of these things are fixed by statutes, such as the interest on public debts, mothers' allowances, school grants, hospital grants, old age pensions. All these things are fixed by statute, and within that sense are non-controllable. In Table 7 is shown the expenditures from 1911 to 1937. We have broken them down into controllable and uncontrollable under the headings "Public Debt, Legislation, Administration and General Government, Education, Legal and Judicial, Transportation and Communications, Public Welfare, Agriculture and Public Domain and other expenditures." Then, if you refer to page 389 you will find a detailed comparative statement of expenditure on income. We group the expenditures under the same heads as I have used in table 7. The table on page 388 breaks down each of these heads. For instance, we say public debt is uncontrollable. On page 43 the first item shows an uncontrollable expenditure of \$7,039,000. That is uncontrollable to the extent that legislation provides for the payment of that as a first charge on the revenues of the province.

The next item is "legislation". If you turn to page 388 you will find the item "legislation" set out there. That item shows how it is made up. It is made up in the following manner "Lieut.-Governor's Office, Salaries and Contingencies, \$5,503.95; Government House maintenance \$14,032.77; Elections, Voters Lists, \$341.35; Legislative Assembly - Members' Indemnities, \$99,000; Salaries of Officials, \$10,000; Printing Contingencies and other expenses, \$20,500; total, \$168,653.20." That is entire cost of the operation of government house and the operation of this legislative assembly. Out of an

annual expenditure of \$19,000,000 it will be noted that a great deal of economy could not be practiced there even if you reduced the membership of the house by a few. I go on and quote the others: "Ministers of the Crown, \$77,423.03; General Departmental Offices, \$1,045,128.44; The biggest item of controllable expenditure that there is will be found under "Administration" on page 389. The table on that page shows you how it is made up. The total for "Administration and General Government" is \$1,403,500.47. It is made up of the items set out there, and they indicate that while it is in the controllable column, no very great economy could possibly be brought about there. The item "Other Salaries" refers to salaries paid to certain civil servants. The next item is "Education". That is a large item of which \$82,000 is controllable and \$2,794,000 is not controllable. Page 390 shows that the majority of that expenditure is in the way of grants. Total grants to schools amounted to \$1,865,000, in the last fiscal year. That has been increased by one third in the last year. That was done at the last session of the legislature, the increase applying from the first day of July, 1937. That is taken care of by the educational tax. The details of that tax will be outlined later. That increase, which includes a similar increase in the case of secondary education, would cost over \$800,000. a year.

THE CHAIRMAN: According to the table on page 43 the percentage of controllable and uncontrollable expenditures in 1937 is 15.53 and 84.47 respectively.

HON. MR. DAVIS: Yes, the percentage. That shows you that unless we can materially cut the interest on the public debt -- and if we want to practice economy the only place it can be practised is on the interest on the public debt and the social services -- our saving in

expenditures will have to be at the expense of social services in this province, because they are included in the uncontrollable. Those two items make up the 84.47 per cent. So far as public debt is concerned it will be indicated here that pending the report of this commission the federal government is actually making us an additional grant of \$1,500,000, or a subsidy of \$1,500,000 a year. The effect of that is the average rate of interest on our indebtedness is about 4.76 per cent.

MR. TAYLOR: That is the average right now.

HON. MR. DAVIS: 4.76; and if you apply the \$1,500,000 that the government of Canada have allowed us as a special grant pending the report of this commission and final action, and deduct that from the interest that we pay, which averages 4.76 per cent, the result is the people of the province are actually paying 3.28 on the public debt at the present time from the revenues of the province. The remainder of it is coming out of all the people of Canada by virtue of this special grant of \$1,500,000.

THE CHAIRMAN: Is that special grant in addition to the subsidy?

HON. MR. DAVIS: Over and above the assistance -- over and above the subsidies that we got in the province's finances in the budget of 1936. So that the government of Canada came to our aid. They asked the Bank of Canada to make a report. The Bank of Canada reported on Alberta, Saskatchewan and Manitoba. As a result of that report it was recommended that additional assistance be given until such time as this Commission had reported and some change had come about as the result of the report of this Commission. So that actually, as I have said, the people of this province are paying 3.28 per cent on the public debt of the province from the taxpayers of the province. Therefore, in reality, if we were to go out and

try to balance our budget by a reduction of expenditure there is only one place it could come from and that would be by reducing social services, school grants, hospital grants, mothers' allowances, old age pensions and things of that kind. We do not believe that it is possible to practice economy in this province at the expense of these services. That leaves us controllable expenditures of 15.53 per cent. If you go through the controllable expenditures as we have broken them down on page 387 and the following pages it is clearly indicated that you could not by any stretch of the imagination save sufficient money in these controllable expenditures to reduce our expenditures to the point where we could balance the budget even with the \$2,500,000 we got from the federal treasury.

COMMISSIONER SIROIS: As a matter of curiosity I should like to refer to this: under the heading of legal and judicial administration you show \$21,790 for other expenses of courts in one year and \$194,763.84 in another year. Then you say in the footnote: "increase in expenditure is due mainly to items of fees paid by sheriffs to registrars of land titles offices, bailiffs and process servers."

HON. MR. DAVIS: Is that on page 391?

COMMISSIONER SIROIS: Yes, Item C.

HON. MR. DAVIS: "Other expenses of courts, etc."

COMMISSIONER SIROIS: It is only a matter of curiosity to me, but that appears in only one year.

HON. MR. DAVIS: I see. You refer to the jump to \$194,000 in one year.

MR. SIROIS: I should like an explanation. I do not understand it.

HON. MR. DAVIS: As I recall it, up to a certain time

the Sheriff and the local registrar operated on fee basis. They took the revenues into their own account and then paid the expenditures, including their own salaries, and if there was any balance it was turned over to the government.

COMMISSIONER SIROIS: It happened only one year.

HON. MR. DAVIS: There was a change made. That may be the year in which the change was made. That was the year in which the change was made from a fee basis to a straight salary basis. Our policing cost us \$178,000, a year. That will be referred to later. We have an arrangement with the R.C.M.P. whereby they police the province, and it has actually reduced the cost of policing to less than half the cost it was before, and infinitely more satisfactory.

I now continue on page 44: We here set forth the amount paid to civil servants over a period of nine years, but that does not include the proprietary interests such as the farm loan board, the liquor board or things of that kind.

"As regards civil servants salaries, Table VIII sets forth the amount paid civil servants for "normal" governmental services over a period of nine years. The impracticability of reducing the salaries of civil servants together with the possibility of effecting economies through a merger of inspectoral services is dealt with in reports of the Public Service Commissioner which will be furnished the Commission."

I may say if we reduced all salaries of the higher paid civil servants in the province to \$3,000 a year it would mean an annual saving of practically \$65,000 a year which indicates there are very few in receipt of salaries in excess of \$3,000. The prime minister asked the Commissioner of the Civil Service to make a complete

investigation into all those who were employed on the inspectoral staff of the province. The Jacoby Commission recommended that we try and set up an inspectoral department, to consolidate all the inspectoral service, the outside inspectors under one head with the object of saving money. We have had a very minute examination made into that by the public service commissioner, and his report is here. I desire to file that report as exhibit 39.

EXHIBIT 39: Report of Jacoby Commission on re Inspectoral Staff.

Then, we have had a detailed examination made into the whole cost of the civil service of the province, and I have a report on that which I should like to file as an exhibit.

EXHIBIT 40: Report on the cost of the Civil Service.

I shall now continue with the second paragraph on Page 44:

"With reference to uncontrollable expenditures, the two major items of expenditure are debt charges and education and public welfare expenses."

The province could default its debt charges, but the government of the province strongly feels that as long as it is able to, it should exert every effort to meet interest on its obligations. While an arbitrary reduction in debt charges by the government would provide some immediate relief, it is felt that the injury to the credit of the province which would result from such action, would, in the long run, prove most costly. That is a statement of policy on the part of the government.

In connection with debt charges and retirement of debt it is well to reiterate that the government recognizes

its inability to balance its budget either by increasing taxation or by reducing expenditures, and that if it is to continue maintaining its debt, it must have substantial outside assistance or assistance of a lesser amount accompanied by a recasting of its debt structure with lowered debt charges. In that case we take the stand we cannot continue to pay interest on the public debt and balance our budget either by practicing greater economy in government in Saskatchewan or by increasing the tax burden on the people of the province; and if we are going to continue to pay the present rate of interest on the public debt, it can only be done by assistance from outside the province. During the course of this brief it will be recommended to the Commission that it recommend to the Dominion Government that steps be taken by that government in conjunction with the government of this province, to consolidate and refund the debt of the province at lower interest rates. Further on in the brief there will be more detailed reference made to that and possibly at that time we can discuss it.

Reference has already been made to the sharp rise in education and public welfare expenditures in the past twenty years. The present financial plight of school districts prohibits entertainment of further reductions in school grants. It can hardly be assumed that the inhabitants of Saskatchewan would readily tolerate further reductions or elimination of expenditures on education, hospitalization, care for the aged and destitute and other similar services provided by the government. Such a reduction would undoubtedly ease immediate pressure enormously, but would result in undesirable social and economic repercussions and can scarcely be regarded as offering a satisfactory solution of the problem. Further,

it may be argued that considerations of national well-being require that all Canadians, regardless of where they may live, be guaranteed certain minimum Canadian standards of education and health at least. That brings in the fundamental concept that we indicated in the first section which provides a minimum standard but not a maximum.

In the section on taxation it is indicated that the people of Saskatchewan are taxed at least as heavily as the people of other sections of Canada and that for the purpose of raising provincial revenues, taxation has reached its limit.

The government of the province feels, and their view would appear to be endorsed by both the Jacoby Commission and the Bank of Canada, that the maximum limit has been reached, if not exceeded in curtailment of expenditures.

It is the considered opinion of the Government of Saskatchewan that, only by assumption by the Dominion Government of the financial burden of a large part of the costs of social services and the entire cost of relief, coupled with provision for a flexible system of emergency grants to meet immediate and pressing needs as they arise from year to year, can a measure of financial security be obtained."

Later in this brief we will make a special reference to that last sentence.

TABLE VIII

COMPARATIVE STATEMENT OF SALARIES FOR "NORMAL" FUNCTIONS OF GOVERNMENT FOR THE FISCAL YEARS INDICATED

Year	Amount
1929-30	\$2,762,574
1930-31	3,038,610
1931-32	3,024,327
1932-33	2,768,019
1933-34	2,741,950
1934-35	2,619,445
1935-36	2,533,478
1936-37	2,630,641

That increase of \$100,000 is due to the fact that at the last session of the legislature we increased the salaries of the lower paid officials. Those in receipt of \$100 a month were raised by 5 per cent. That increased the salaries to \$2,630,641. That is the total expenditure on civil servants salaries in the province.

COMMISSIONER DAFOE: Later, Mr. Davis, the question as to how the Dominion is to get under the social service costs will be discussed.

HON. MR. DAVIS: That will also be discussed in a special section dealing with the entire cost of relief indebtedness of the province that we are asking should be written off.

THE CHAIRMAN: Assuming good times come back to you and you have fair crops, what would happen? Suppose you got back to your 200,000,000 bushels a year, or the average for a certain period -- how many millions of acres do you normally sow?

HON. MR. PATTERSON: 15 million acres of wheat; about 20 million acres altogether.

THE CHAIRMAN: Suppose you had an average crop of 15 or 16 bushels to the acre. That is below your average, is it not, in the good years?

HON. MR. DAVIS: Our average, from the history of the past since we have started production on a large scale is 190 millions. We may look for 190 million a year, and the average price over the same period is 74 cents. Our budget for the future is projected on the basis of 190 million bushels at 74 cents a bushel.

THE CHAIRMAN: How about 1 dollar a bushel?

HON. MR. DAVIS: No, the average price has been 74 cents.

THE CHAIRMAN: I am just taking a supposititious case. Suppose you had an average of 200 million bushels a year with a price of one dollar a bushel for No. 1 Northern.

Would that not put you in a position to pay your normal cost of administration of the province, provided you were relieved of the entire burden of relief?

HON. MR. DAVIS: No; taking the present sources of revenue, the present taxes and providing for the increases that we might reasonably expect from those sources on the basis of ^{million} 190 bushels of wheat at 74 cents a bushel and the expenditures we would have to make, we would still be out of line, our budget would still be out of line notwithstanding the removal of the entire 42 millions of debt owing to Canada by the provinces. That has all been explained in detail in that section wherein we project the future budget.

THE CHAIRMAN: We can discuss that when we come to it.

HON. MR. DAVIS: I now come to "Summary and Conclusions":

" 1. That while the government of the province may not have seriously taxed the surplus of the good years prior to 1929 with the object of providing adequate reserves for possible fluctuations in wheat crops or prices, the people of the province, during those years, were contributing substantially to the prosperity of business and taxpayers in other sections of the country. (See Bank of Canada Report Page 4). It is doubtful, however, whether any system of public finance could have been devised capable of building reserves sufficient to maintain adequate governmental services including the relief burden over a period of years when income from wheat almost disappeared.

The Bank of Canada report suggested that up until 1929 when we were enjoying periods of prosperity we should have maintained our levels of taxation to such a height that we would have built up ample reserves to

assist us and tide us over this period. That in theory and in business may be applicable and could work where it was controlled by officers in charge of the business; but in actual control of government it is clearly impossible. The people of the province, if this government or any government had put aside a lot of money in the form of reserves and tried to maintain them, would not stand for it. A government who did that would not be in power in the province very long because there would be the demand that money be spent.

THE CHAIRMAN: Do you think that situation may be improved in the future, having regard to the experience of the past, or do people never learn?

HON. MR. DAVIS: Human memory is very short. In one crop they would forget all about it. I may be a little pessimistic in that regard.

THE CHAIRMAN: It is now 4.30 and time for us to adjourn; but before we adjourn I should like to refer to one matter. I should like to ask Mr. Patterson if, some time before these hearings close, he will give us the benefit of the opinion of the government on the subject on which Mr. Bracken gave us his opinion yesterday; namely the practicability and possibility of the amalgamation of the three provinces, and if it were practicable, whether the saving would justify the changes involved.

HON. MR. PATTERSON: Yes, Mr. Chairman, we shall be very glad to do that.

The Commission adjourned at 4.30 p.m.
until 10.30 a.m., Friday, December 10, 1937.

REGINA, SASKATCHEWAN, DECEMBER 10, 1937

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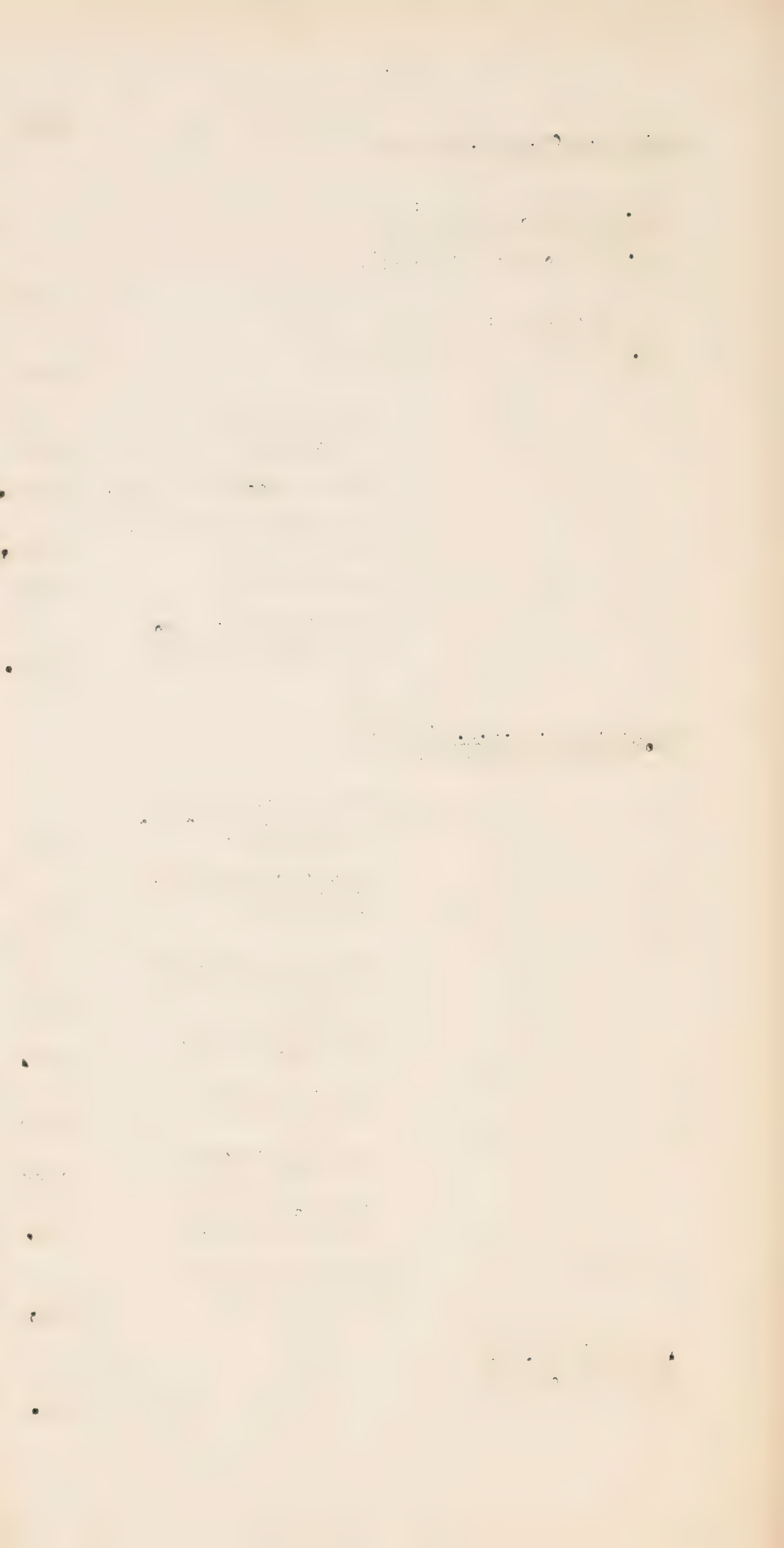
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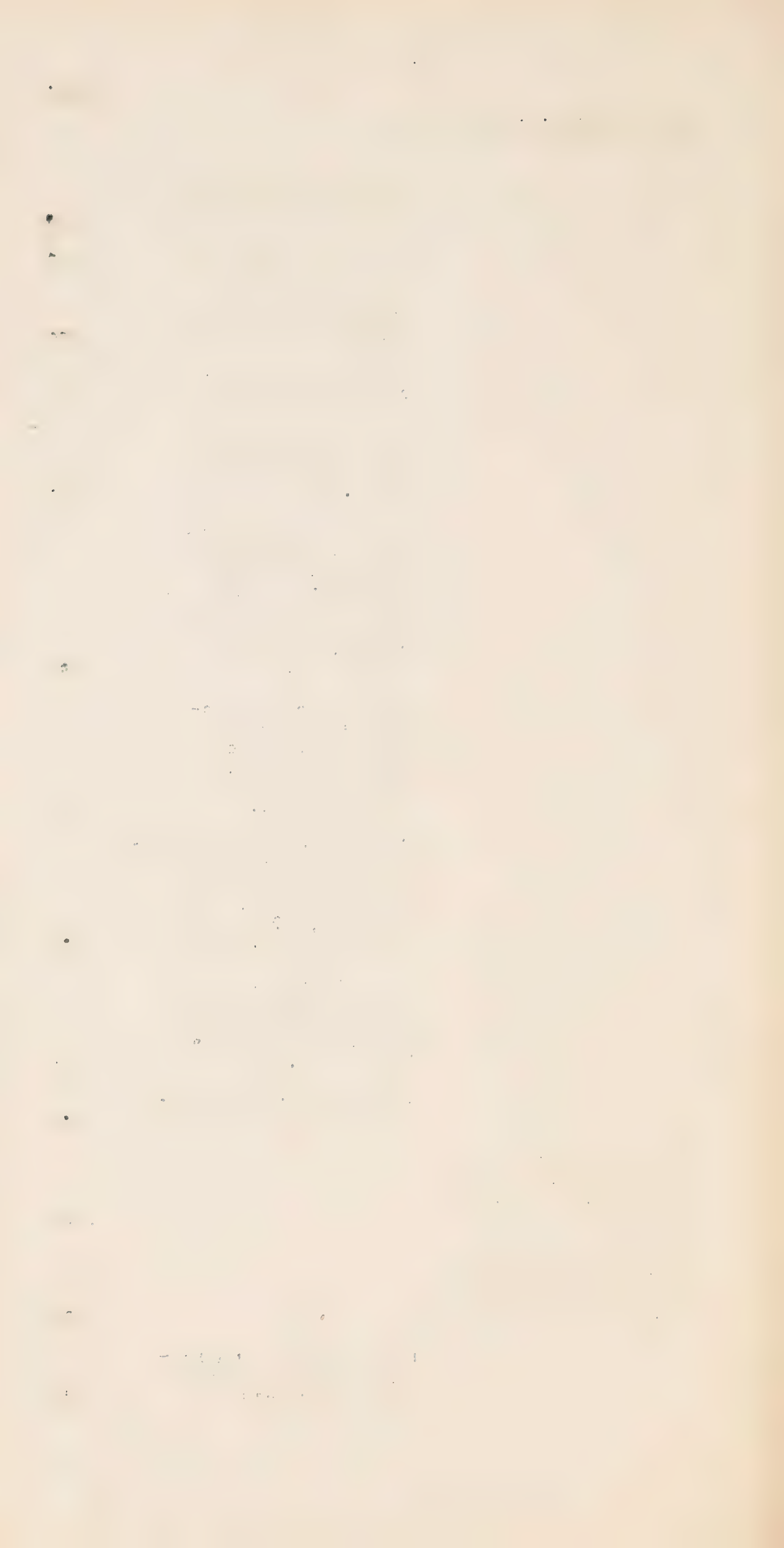
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ROYAL COMMISSION ON DOMINION-PROVINCIAL RELATIONS

REGINA, SASKATCHEWAN, DECEMBER 10, 1937

The Royal Commission appointed to re-examine the economic and financial basis of Confederation and the distribution of legislative powers in the light of the economic and social developments of the last seventy years, met at the Legislative Buildings, Regina, Saskatchewan, on Friday, December 10, 1937, at 10.30 a.m.

PRESENT:

HON. CHIEF JUSTICE NEWTON W. ROWELL....CHAIRMAN

DR. JOSEPH SIROIS)	
JOHN W. DAFOE, Esq.)	
DR. ROBERT ALEXANDER MacKAY)	Commissioners
PROFESSOR HENRY FORBES ANGUS)	

Commission Counsel:

Louis S. St. Laurent, Esq., K.C.

Secretariat:

Alex. Skelton, Esq.	Secretary
R. M. Fowler, Esq.	Legal Secretary
Wilfrid Eggleston, Esq.	Assistant to the Secretary
Adjutor Savard, Esq.	Secrétaire Français

FOR THE GOVERNMENT OF SASKATCHEWAN:

Hon. W. J. Patterson	Premier
Hon. T. C. Davis	Attorney General
F. C. Cronkite, K.C.	Dean, College of Law
J. R. Taylor, C.A.	Supt. of Revenue
T. A. Lax, F.C.A.	Provincial Auditor
G. W. Myers, Esq.	
Mayor A. C. Ellison	Regina
S. P. Grosch, K.C.	Chairman, Local Government Board
L. Jacobs, C.F.A.	Municipal Affairs

Legislative Buildings,
Regina, Saskatchewan,
December 10, 1937.

MORNING SESSION

The Commission met at 10.30 a.m.

HON. T. C. DAVIS (Attorney General): Mr. Chairman, I wonder if before we proceed this morning, the Commission would indicate to us whether they would desire to sit to-morrow, Saturday.

THE CHAIRMAN: I think we might sit to-morrow morning, but not in the afternoon. We are anxious to finish the sittings here, if we can do so properly and give full time to the presentation of all the briefs that are to be submitted, by Wednesday evening or at the latest, Thursday, and I think possibly it would be wise that we should sit for half a day to-morrow.

HON. MR. DAVIS: In addition to the brief of the province that is now before us, there is a brief to be submitted by the Union of Urban Municipalities, and one by the Union of Rural Municipalities, both of which are short. Then there is to be a brief from the Boards of Trade of the province; I think there are three or four Boards of Trade which desire to make representations, but their representations will be presented through one board, the local Regina Board. If the representations of the other Boards of Trade are anything like the representations of the Regina Board of Trade, they will be very short. There will also be representations, I think, from the Teachers' Federation. Outside of those I know of no other representations that are to be made, so the Commission will not be faced with the number of briefs presented in Manitoba or with such lengthy ones.

THE CHAIRMAN: Would it be quite convenient to you

for us to sit to-morrow morning?

HON. MR. DAVIS: I think so, but perhaps it might be left open for the moment so that we can discuss it at the luncheon hour.

If I may now proceed, Mr. Chairman, we were just coming to the end of the financial section of the brief, and we had reached page 45. I had read paragraph number one under Summary and Conclusions, and when I have come-pleted down to paragraph number seven on page 46, and we reach the section dealing with Municipal Finance, I was going to ask the Minister of Municipal Affairs to make a statement to the Commission, in view of the question that was raised yesterday with respect to the number of people on relief in the province, the number of unemployed, the number of unemployables, and so forth.

I will now take up paragraph number 2 under Summary and Conclusions on page 45:

2. Curtailment of ordinary expenditures has been carried to a point where it is neither possible nor desirable to effect further reductions if the province is to continue to function satisfactorily, Since 1933 capital expenditures have been so reduced as to confront the province to-day with capital expenditures of considerable amount."

We have attempted in the preceding few pages to indicate that we have reduced our ordinary expenditures to the fullest possible extent, and then later in the brief we are going to indicate certain capital expenditures that are absolutely necessary and absolutely essential in this province. For instance, a new mental institution must be provided in some way in the near future; but that will be dealt with in a separate



section as we proceed. I come now to the next paragraph:

"3. Saskatchewan's dependence on wheat not only means a violently fluctuating income and fluctuating government revenues, but also an income which is difficult to reach by taxation, and one which at best provides a small taxable margin. With the increase in previously existing taxes, together with the introduction of new taxes, taxation for provincial purposes has reached its limit."

The first portion of that section is covered by the Bank of Canada report, as I indicated yesterday, which went into that very fully, and which emphasizes how difficult it is to build an economy in Saskatchewan on the basic industry of agriculture when that industry is dependent largely upon the production of wheat and the price received for wheat, that price being dependent upon such variable factors as, in the case of markets, for instance, on the price fixed outside of Canada altogether, and with production being largely dependent upon climatic conditions.

The second part of that paragraph deals with taxation, and it will be noted subsequently in the brief that we have made rather a full examination into the present base of taxation in Saskatchewan, and I think we can deal with that question better when we reach that section of the brief. Next is paragraph 4:

4. While the inhabitants of Saskatchewan will not readily tolerate further reduction or elimination of expenditures on education, hospitalization, care of the aged and destitute and other expenditures of a like character, the cost of these services in

"recent years has assumed such proportions as to make it essential that there be additional national support. The experience of the past eight years has shown that Saskatchewan cannot maintain, through periods of economic depression and crop failure, the minimum standards of social and community services which are, by common consent, considered appropriate to Canada."

THE Chairman; You will discuss these standards later?

HON. MR. DAVIS: Yes, when we come to the economic section of the brief.

THE CHAIRMAN: Thank you.

HON. MR. DAVIS: I may say, as I have already stressed, that naturally with conditions as they are the payments for social services have increased owing to the fact that the people have not the capacity to pay, and coincident with that there has naturally been a reduction in provincial revenues. Then paragraph 5:

"5. The province will have to be relieved of that portion of its debt incurred for relief purposes, if the province is to be placed on anything resembling a sound financial basis."

We feel that as a first preliminary to putting the finances of this province in proper shape, that debt due to the treasury of Canada must be removed from our shoulders because so long as it remains there, those who might otherwise invest in Saskatchewan debentures, seeing that heavy burden of debt to the Dominion treasury hanging over this province, are deterred and it naturally has an influence on our ability to finance. So we feel that that is the very first thing that must be done

in order to put the financial affairs of this province in proper shape--the very first step must be to relieve the province of that portion of its debt incurred for relief.

THE CHAIRMAN: What is the amount of that?

HON. MR. DAVIS: \$42,000,000 odd. The advance of \$3,500,000 back in 1931, as I mentioned yesterday--

THE CHAIRMAN: I do not mean the total debt, but the debt for relief, Mr. Davis, because the other stands in quite a different position.

HON. MR. DAVIS: Yes, there is a portion of the debt that is entirely different from the debt for relief purposes, and which we should properly assume. For instance, the \$3,500,000 to take up one of our debenture issues of many years ago should be an obligation of the province; there was also an advance for administration, and some other advances that are properly chargeable to the province, but advances properly chargeable to relief should be written off.

THE CHAIRMAN: You will give us at some time the exact amount of the relief charges?

MR. TAYLOR: It stood at \$70,000,000 on April 30. That may be in the form of treasury bills, funded debt, and bank overdrafts.

THE CHAIRMAN: No, I mean the amount which the province owes the Dominion for relief.

HON. MR. DAVIS: We can give you that figure later.

THE CHAIRMAN: You have said, Mr. Davis, that the amount the province owes the Dominion for relief should be written off. Now how much does the province owe the Dominion for relief? You can give it to us later.

HON. MR. DAVIS: We can get that. In addition, if the Dominion were going to recognize this, as we think they should, and as a matter of fact they have recognized that this drought condition is a national catastrophe to be taken care of by the nation, there were certain advances, certain capital monies were borrowed by the province to take care of that problem, and in making an adjustment with the Dominion we would like to have credit for the advances secured on the strength of the province.

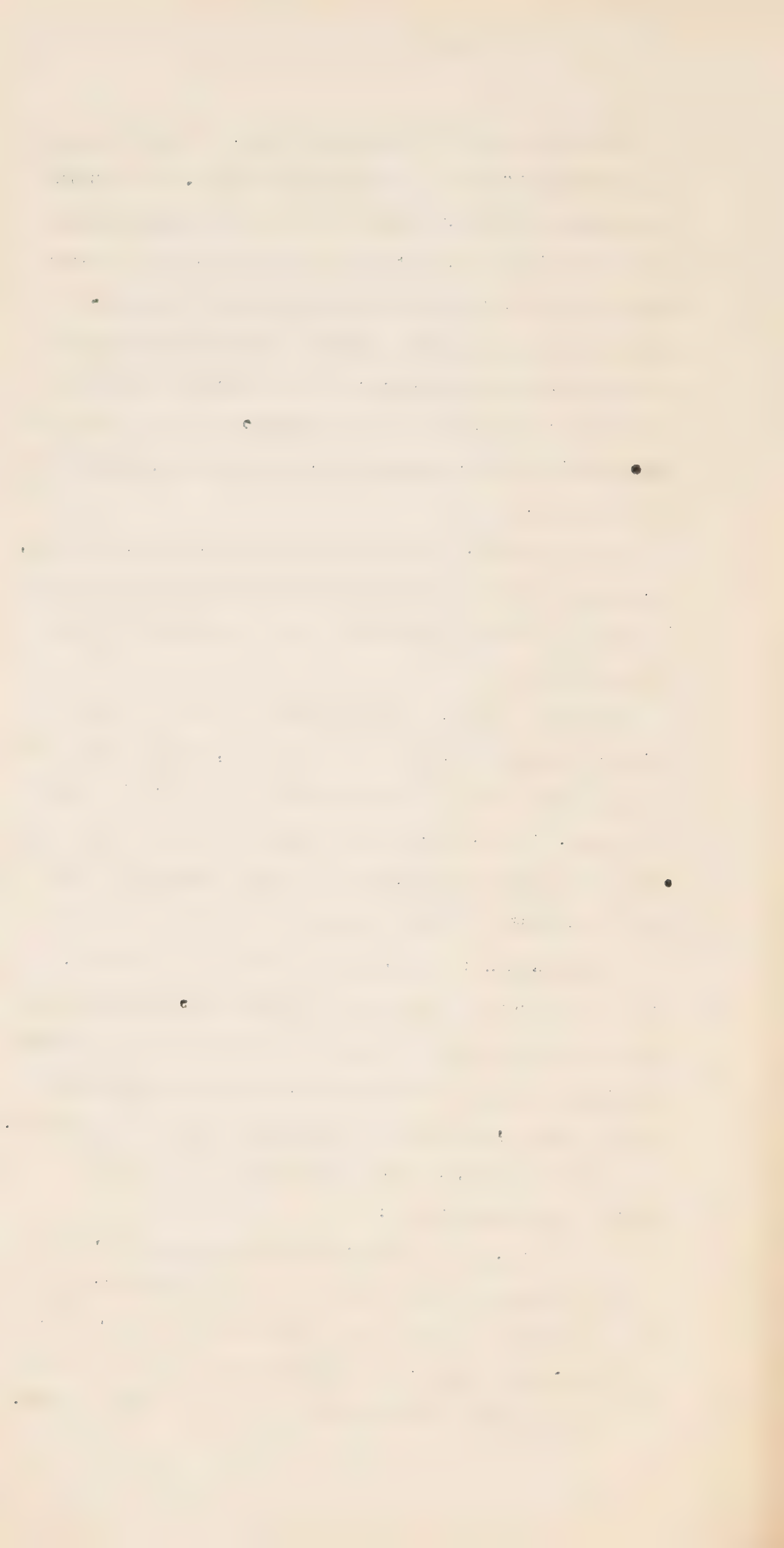
THE CHAIRMAN: We should have a detailed statement, Mr. Davis, showing just what you are asking and how it is made up, so that there will be no confusion or misunderstanding.

HON. MR. DAVIS: We will see that that is done. Then so far as the future is concerned, coupled with that we are urging that if another period of this kind comes in Canada, the Dominion should bear in its entirety the burden of relief at least of the employables; and that will be stressed in the Municipal section.

THE CHAIRMAN: There are two distinct problems: One is the present financial obligation to the Dominion for monies borrowed for relief; the other is the general problem of whether the Dominion should be responsible not only here but elsewhere throughout Canada for relief.

HON. MR. DAVIS: Yes, quite right. I will now proceed with paragraph 6:

"6. Immediate attention must be given to a recasting of the province's debt structure with the object of providing a basis on which the province can provide for orderly debt retirement and obtain relief from present burdensome debt charges.



" While it will be necessary to obtain an increased subsidy in any event, the increase will be less sharp if debt charges are reduced."

The first part of that paragraph deals with the re-funding debt of the province, and subsequently in the brief we shall deal more fully with that. But as I indicated yesterday in connection with the Financial section, the province is not able without outside assistance to balance its budget and meet its debt service obligations.

THE CHAIRMAN: We come to this same proposition again in the brief in a more concrete form?

HON. MR. DAVIS: We do, but not in a very concrete form. We have not submitted in this brief, as they have done in Manitoba, a concrete proposal for refunding as we did not deem it advisable so to do. We thought we would deal with it in a more general way, just adducing the principle, without tying the province down at this time to some concrete proposal which, after the Commission has heard from other provinces of Canada, might be viewed from an entirely different aspect.

THE CHAIRMAN: Have you any suggestion that might be of some help to the Commission in considering the matter?

HON. MR. DAVIS: We feel, as the brief states further on, that if there is to be a refunding of the debt of the province, it should be done in such a way that it is not compulsory. Some means should be provided by some refinancing corporation to provide the funds which would enable the province to say to the holders of the debentures, "You have a debenture due at such and such a time." We are calling that debenture due now, and you

have the privilege either of accepting a new provincial debenture at a lower rate of interest, or if you do not want that, here is your money." We thought it would be advisable for some scheme to be evolved by the province and the Dominion whereby--and I presume it would apply largely to the western provinces--the means would be provided for refinancing to enable the province to secure the money necessary to enable the province to make such an offer to the holders of its debentures.

THE CHAIRMAN: Your view, I take it, is that the province should be placed in such a position that it could say to the debenture holders, "You have the option either to take your money or to take a new security at a certain reduced rate of interest."

HON. MR. DAVIS: That is the position we would take.

THE CHAIRMAN: Of course, there is an element of compulsion in that.

HON. MR. DAVIS: There is an element of compulsion in it, in that the bonds are not due for a considerable length of time, and we would be more or less violating the terms of the contract by calling them due and payable at this time; but no great exception could be taken to that if the holders of the bonds had the option of accepting a new bond at a lower rate of interest or taking cash.

THE CHAIRMAN: What are your bonds selling for on the market at the present time?

HON. MR. DAVIS: They are selling to yield between $7\frac{1}{2}$ to and 8 per cent. You sometimes see quotations of Saskatchewan bonds as low as 60 to the 100, but when you go out to buy them at that rate, it is a totally different thing. I do not think the market

price as indicated by the day to day quotations shows the value that the holders of the bonds place upon them. The price quoted may be for only a small block of a few thousand dollars worth of bonds, but that fixes the quotation as it appears in the press from day to day.

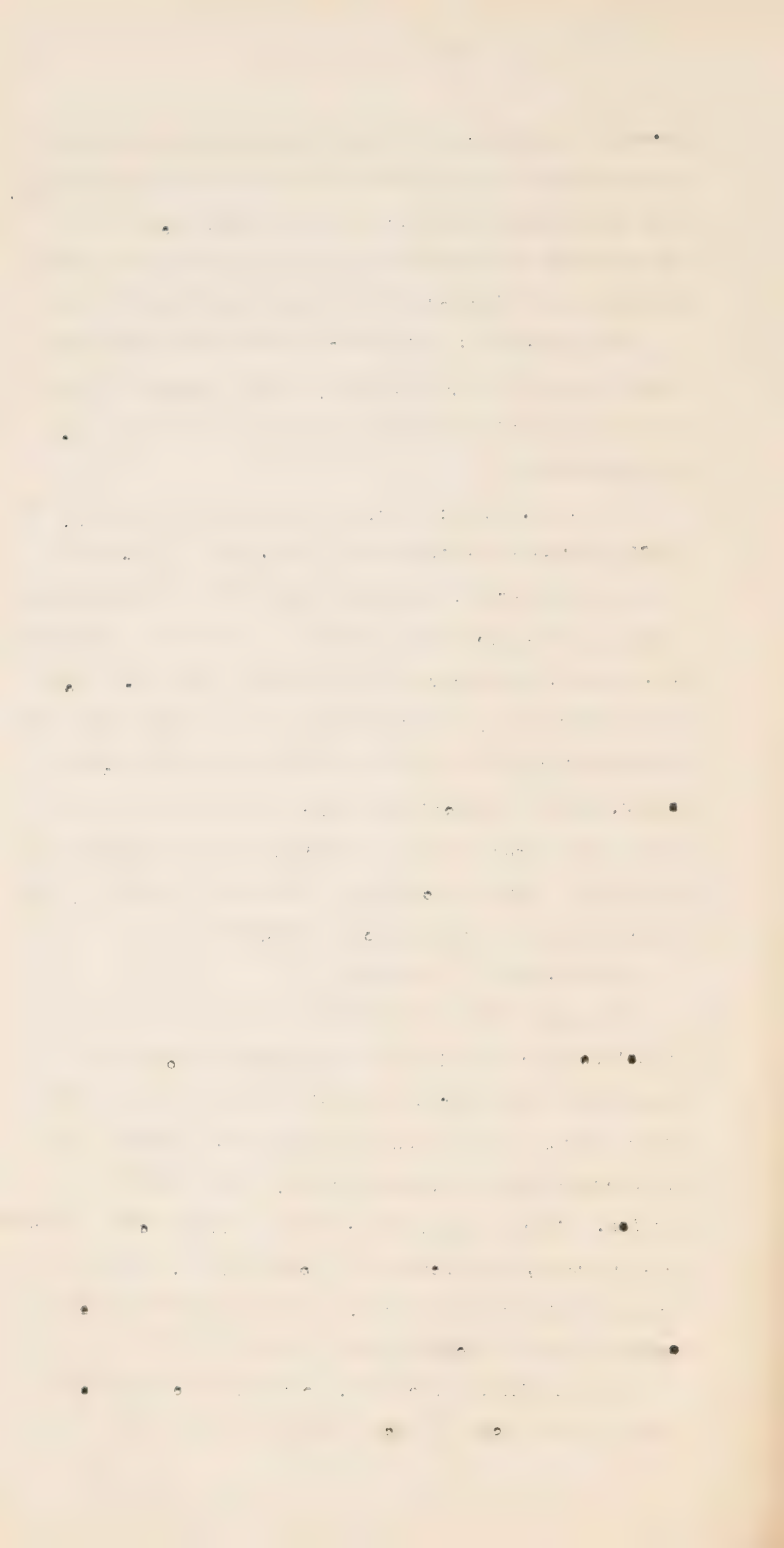
THE CHAIRMAN: Of course, if your bonds are to-day worth something less than par, to offer payment in cash in full is giving the bondholder more than he can get in the market.

HON. MR. DAVIS: Yes, but if he holds his bond, then ultimately he is paid the face value if we live up to our contract. It simply means that you are moving ahead the date on which he would be entitled to the cash. Mr. Grosch, the Chairman of the Local Government Board in this province, who has charge of our sinking fund has considerable knowledge of the market for Saskatchewan bonds, and if you desire to hear him he can tell you that while these are the quotations on the exchange from day to day, they do not really indicate the value of the bonds placed on them by those holding them.

THE CHAIRMAN: Thank you.

HON. MR. DAVIS: But when it comes to refunding I am not so sure that it would be necessary to refund the entire bond issue at one fell blow. If that could not be done, the bond issues bearing the heavier rates of interest could be retired first, and in orderly fashion. Some of our bonds presently issued bear interest at 4 per cent, and they go on from there up. There is nothing less than 4 per cent. The bonds bearing the heavier rate of interest might be retired first.

THE CHAIRMAN: Of course, we shall have full details of that when the questionnaire is returned.



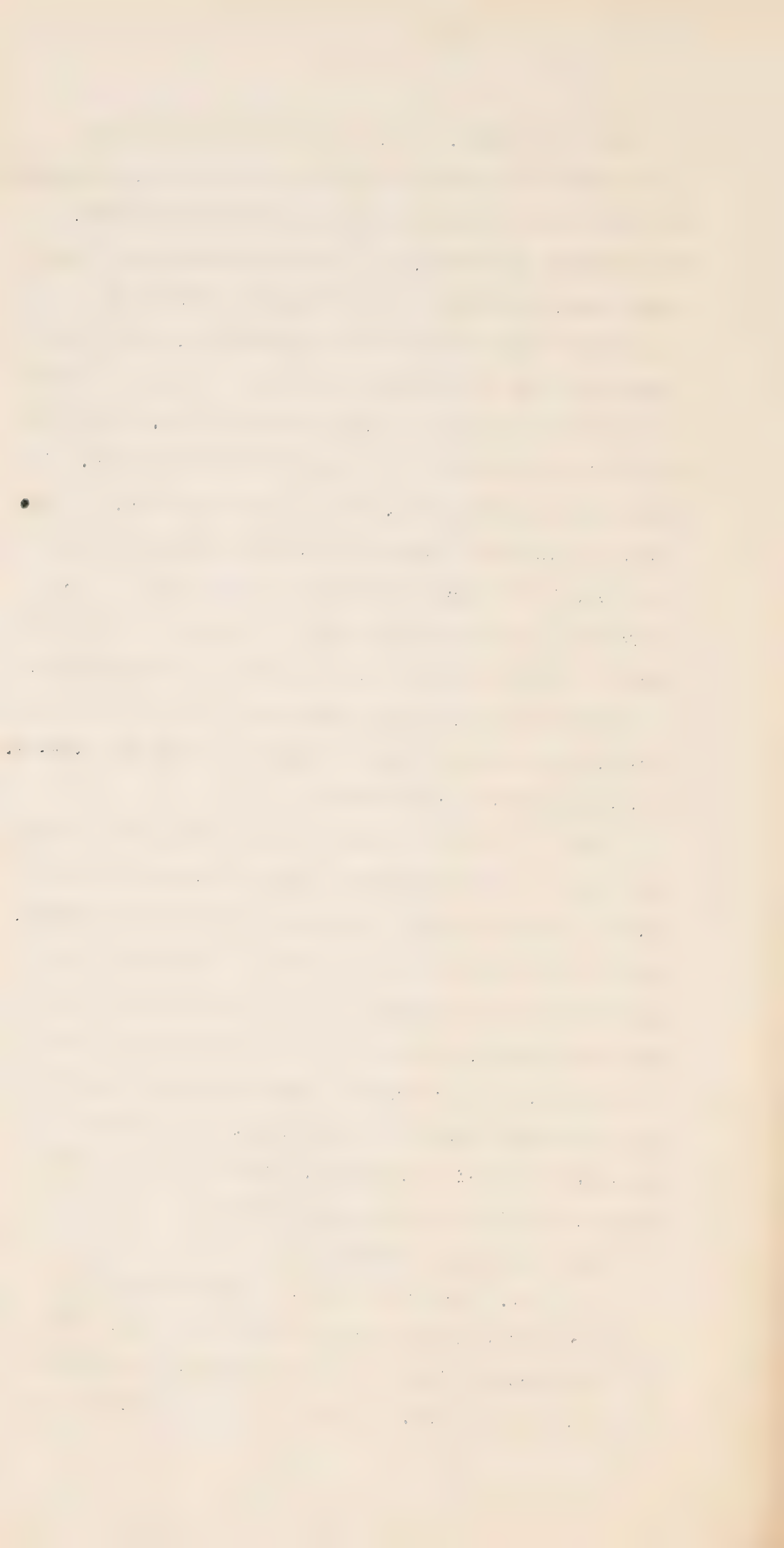
HON. MR. DAVIS: Yes. The position is shortly this, that we are not in a position to carry on at present and meet our obligations without outside assistance. The treasury of Canada, as I indicated yesterday, recognizes that, and they give us a special subsidy of \$1,500,000 which tides us over temporarily, and by the receipt of that sum we are 'actually' in this province on a basis of our debt bearing interest at 3.28 per cent so far as the people of the province are concerned. If that should be withdrawn, we could not carry on. If the Dominion continues that policy and is prepared on behalf of all the people of Canada to take care of the difference in the interest rates, it might not be necessary to refund the bonded indebtedness of the province.

THE CHAIRMAN: I am afraid that is a little too optimistic, to think that the Dominion would take care of all the difference in interest.

HON. MR. DAVIS: I doubt if they would, but pending the report of this Commission they are actually doing it, but they are doing it only as a temporary expedient, and they have made it quite clear to us that it is only a temporary expedient. But it is a problem that has to be faced, and everybody recognizes that it has to be faced, and I think the general idea was that it would be better simply to tide things over pending the report of this Commission; and hence that action on the part of the Dominion government.

Next is paragraph number 7:

7. That even with an improvement in agricultural income throughout the province, under the present distribution of financial powers and responsibilities, it would not be possible for the



"province to support a basis of taxation designed to place the province on a sound financial basis." That is merely repetition of what I have been arguing throughout this section.

THE CHAIRMAN: Just let us see, Mr. Davis, if we understand each other on that. Do you mean that if the Dominion became responsible for the entire cost of relief and of old age pensions, and you got your debt refunded on a satisfactory basis, this province could not balance its budget?

HON. MR. DAVIS: On that basis, we could get within appreciable distance of balancing it.

THE CHAIRMAN: You see, to me it is inconceivable, if this province gets back on a fair basis of production and with average prices, that you cannot pay your way like other provinces do. Everyone recognizes that if this drought condition continues, of course you cannot; but if the drought condition continues there would have to be something much more radical than relief; we should have to deal in a more drastic way with the whole problem of these southern areas. It is very difficult to see what permanent policy can be based on the conditions which prevail and have prevailed for some years. That cannot be the basis for a permanent policy except if those conditions be permanent, and if such conditions continue there must be fundamental changes. It is rather difficult to strike an average having regard to the conditions of the last seven years.

HON. MR. DAVIS: Of course, this is more or less based on the assumption that we are going to move out of this period, that it is not going to be a continuing condition. But if it is going to go on in perpetuity the whole picture is changed.

COMMISSIONER ANGUS: On the other hand, if the improvement in agriculture in Canada were great enough, you could obviously take care of your liabilities?

HON. MR. DAVIS: We could not take care of our existing liabilities. We have imposed all the taxes we can, and under the best conditions in this province those taxes will not produce sufficient to take care of our present obligations.

COMMISSIONER ANGUS: I understand that point, but an improvement in agriculture in Canada would mean an improvement in your position, which you probably take into account in your budget for the future which appears later in the brief?

HON. MR. DAVIS: Yes. In our budget of the future which we project in Section IX, we base it on an average production of 190 million bushels of wheat at 74 cents a bushel, which is the average production over the years since we started to produce any appreciable quantity of wheat, and that price is similarly the average price.

COMMISSIONER ANGUS: At Fort William?

HON. MR. DAVIS: No. Seventy-four cents is the price to the farmer.

THE CHAIRMAN: Mr. Davis, do we find anywhere in this brief a statement dealing with the annual increase in the public debt since it commenced to mount up so rapidly? Is there a schedule in the brief that gives the annual increases?

HON. MR. DAVIS: There is a schedule in the appendix at page 399 which covers the last eleven years, and the yearly increases as indicated were very small for the earlier years. In 1926-27 the increase was

roughly \$692,000. In 1927-28, \$1,300,000; in 1928-29, \$2,500,000; in 1929-30, \$11,700,000.

THE CHAIRMAN: Why the big jump in that year?

HON. MR. DAVIS: That was because of capital expenditures on roads and bridges, also the Lower Commission, and the Farm Loan Board. Expenditures for roads and bridges, including the \$4,000,000 of road building that was done for relief purposes, amounted in three years to \$18,000,000. You will notice the big jumps that took place in those three years 1929-30, 1930-31, and 1931-32.

THE CHAIRMAN: While you, of course, did have drought in 1929-30, it was not anything like as acute as it was in subsequent years?

HON. MR. DAVIS: No.

THE CHAIRMAN: And there is a big jump in the public debt in 1929-30.

HON. MR. DAVIS: Well, in that year and the two succeeding years, there was a very heavy highway construction programme in this province.

THE CHAIRMAN: You see in 1929-30 the increase in the public debt was \$11,000,000; in the next year \$20,000,000, and in the next year \$34,000,000.

HON. MR. DAVIS: In that \$34 million would be, I presume, the Wheat Pool guarantees of \$13,500,000.

MR. TAYLOR: Under the caption "Net Capital Expenditure" you have the explanation for a substantial portion of the increase in 1911-30 of \$11,000,000 because in that year under "Net Capital Expenditure" there is an item of \$9,700,000.

THE CHAIRMAN: Yes, and under the same heading there was \$15,000,000 in 1930-31, and \$18,000,000 in 1931-32.

HON. MR. DAVIS: Does that include relief, Mr. Taylor?

MR. TAYLOR: No.

HON. MR. DAVIS: And "Net" does not include the deficits, and the deficit in one of those years was \$5,000,000. The deficits are shown in that schedule.

THE CHAIRMAN: What was that big capital expenditure in 1930-31 of \$15,000,000, and of \$18,000,000 in 1931-32?

HON. MR. DAVIS: I thought we had gone through those figures yesterday. That appears on page 400. The first item in Statement No. 17 is Public Buildings, and the next is Public Improvements--that is Highways and Bridges.

THE CHAIRMAN: Highways and Bridges? I see that the amount was \$7,979,000 in 1930-31.

HON. MR. DAVIS: And in 1929-30 it was \$3,668,000, and in 1931-32, \$3,000,000. That is roughly \$15,000,000 in those three years for Highways and bridges.

THE CHAIRMAN: Is there any particular reason why there was such a disproportionate expenditure in those years as compared with the years that preceded or the years that followed?

HON. MR. DAVIS: There was a strong demand in 1929 for a very much increased highway expenditure. The government changed in that year, and that had been one of the major issues in the campaign. As a result of the election the new government proceeded to make these expenditures on roads and bridges in the province.

THE CHAIRMAN:: I see there is a complete drop after three years of high expenditures?

HON. MR. DAVIS: The money ran out.

THE CHAIRMAN: I see, and I suppose the credit also.

HON. MR. DAVIS: The next item in Statement No. 17, is Telephones, followed by Farm Loans, Power Commission, and you will note that in those three years there were substantial advances to the Power Commission.

THE CHAIRMAN: Are those expenditures revenue producing? I understood from you yesterday that they were.

HON. MR. DAVIS: Yes, the Power Commission pays interest on these advances in their entirety, and the Telephone Department does likewise. Then there is the Saskatchewan Cooperative Elevators; that is out of existence now. You will also see a large item in the same Statement for Saskatchewan Cooperative Creameries for 1933-34. That was implementing guarantees of \$1,300,000.

THE CHAIRMAN: Guarantees have not been a profitable enterprise for the government?

HON. MR. DAVIS: No, we generally have to do the implementing when there is anything to be done. It is a temporary device that may be satisfactory for the moment, but ultimately it comes home to roost.

That, Mr. Chairman, completes that section of the brief. Tied up with that, of course, will be the section on Taxation, which is to be found in Part IV, at page 74.

The Chairman of the Local Government Board, Mr. Grosch, has just given me the daily bond quotations of Saskatchewan bonds for December 9; that is yesterday. Yesterday's quotations for the four per cents, due September 1, 1954, were 62 bid, 65 asked; 4½'s payable in Canada and New York, 73.50 bid, 75.50 asked; Saskatchewan 5's, due August 1, 1958, payable in Canada,

70 bid, 73 asked; Saskatchewan 6's, due March 15, 1952, 79 bid, 81 asked. Those were yesterday's quotations.

THE CHAIRMAN: Thank you.

HON. MR. DAVIS: The Chairman of the Local Government Board tells me that when it comes to securing any appreciable quantity of these bonds, if you want to get them for the sinking fund, they are not available at these prices.

THE CHAIRMAN: I suppose the holders of substantial blocks would not care to part with them at these prices. They are probably paid considerably more for them.

HON. MR. DAVIS: Yes. It is hard for us to ascertain just who holds our stocks and debentures, but \$35,000,000 are held by the people of Saskatchewan, including municipal sinking funds. As I stated yesterday, between \$9,000,000 and \$10,000,000 are in sinking funds in cities.

THE CHAIRMAN: I thought you meant individual holders?

HON. MR. DAVIS: No. Outside of that, there is a considerable quantity held in Saskatchewan, \$35,000,000 including sinking funds.

THE CHAIRMAN: A great part of that \$35,000,000 is held for various sinking funds, is it?

HON. MR. PATTERSON: There is \$11,000,000 in the provincial sinking fund, and \$9,000,000 in municipal sinking funds. Then there are certain other holdings by the Workmen's Compensation Board and other trust holdings. A very considerable proportion of that \$35,000,000 is held in trust in one way or another. There is a considerable number of Saskatchewan bondholders of small amounts, particularly of the issues that we

made for farm loan purposes, holders of small amounts like \$100 or \$500.

HON. MR. DAVIS: And very little of the balance is held by large institutions?

HON. MR. PATTERSON: Practically none is held by large institutions in Canada, the United States or Great Britain. The balance is held by small investors.

HON. MR. DAVIS: Only a very small amount is held by mortgage companies, banks, and other institutions. We have now completed, Mr. Chairman, that portion of the brief down to nearly the bottom of page 46, and have reached Municipal Finance. Perhaps Mr. Parker, Minister of Municipal Affairs, might now be heard on the question of relief.

THE CHAIRMAN: We shall be glad to hear him.

MUNICIPAL RELIEF

HON. R. J. M. PARKER, Minister of Municipal Affairs, was called.

HON. MR. PARKER: Mr. Chairman, the total number of people on relief as at the end of November was 407,600. That is at the end of November this year.

THE CHAIRMAN: Out of a total population, according to your latest estimate of how many?

HON. MR. PARKER: Out of a total of 928,000. We expect before the winter is over, and our peak is generally, reached, according to past experience, in the month of February, that there will be over 500,000 people in receipt of relief.

To give you some idea of the municipalities that are receiving government assistance, there are eight cities in the province which are all getting 80 per cent as a grant-in-aid from the provincial government.

THE CHAIRMAN: Is that a grant-in-aid to enable them to take care of relief?

HON. MR. PARKER: For direct relief expenses.

THE CHAIRMAN: For direct relief?

HON. MR. PARKER: Yes.

THE CHAIRMAN: Does that cover all the cities?

HON. MR. PARKER: It covers all the cities.

THE CHAIRMAN: They get 80 per cent?

HON. MR. PARKER: Yes. What we call direct relief includes food, fuel, clothing and shelter. Out of 82 towns there are 37 in that drought area and 21 outside. There are 58 towns in receipt of relief from the government. That leaves only 24 towns that are not. There are 375 villages in the province, and 336 are in receipt of relief from the government; there are only 39 villages that are not.

There are 302 rural municipalities, and they are all in receipt of relief except 12.

THE CHAIRMAN: When you say they are all in receipt of relief, do you mean that the entire relief grant is provided by the province, or is it a percentage of the total expenditure provided by the province?

HON. MR. PARKER: We give our relief under two agreements with Ottawa. One covers what is known as the federal drought area, which comprises 170 municipal units; that is to say, 150 rural municipalities and 20 local improved districts which are unorganized. The others are outside the drought area. We obtain the money under an agreement with the Department of Agriculture of the Federal government for the drought area, and we receive the money from the Department of Labour from the unemployed grant as a grant-in-aid

outside the drought area.

THE CHAIRMAN: Now take the drought area, will you, so that we will have the picture before us. Tell us the nature of the relief granted in the drought area under your agreement with the Dominion government.

HON. MR. PARKER: The agreement with the Dominion government dates from September 1 of this year to March 31 of the next year, the end of the federal fiscal year. They supply the total amount of money for direct relief and agricultural aid in the drought area. It is a gift from the federal government to the people in that area. The grant-in-aid is given by the federal government as a grant of \$230,000 a month to our government, and we in turn give a grant-in-aid to those municipalities that are unable financially to look after the relief of districts in their own municipality, and the municipality requires the relief recipients either to work it out or to repay it. The other is a free gift in the drought area.

THE CHAIRMAN: Are the grants-in-aid given to municipalities that are not within the drought area?

HON. MR. PARKER: Yes.

THE CHAIRMAN: Then take in the drought area; what is the extent of the relief granted there? Tell us what it covers.

HON. MR. PARKER: It covers, so far as the federal government's contribution is concerned, the total amount expended in food, fuel, clothing and shelter for people; and for stock, the amount required for feed and fodder.

THE CHAIRMAN: There is a limit as to the amount of stock, is there not?

HON. MR. PARKER: There is an optional cattle moving plan whereby the government say that if the people will sell their cattle down to a certain number, and it depends upon how many of a family the man has, the government guarantees in that event to find feed for the remainder of the cattle during the winter. It may be two or three or four cows or a certain number of horses that they are limited to, and after they have disposed of the excess stock at the shipping point--and they get the Winnipeg price at that point--the fodder is given to them free for the remainder of their stock by the federal government.

We have 81 inspectors in the employ of the government and they report to two departments; they report to the department of direct relief, to Mr. Dawson, and also to the Department of Agriculture. These men assist in the administration of all the municipalities; that is to say, checking up this plan for aiding the farmers, also the districts where direct relief is given.

The expenditure between September 1 and March 31 was between twenty-nine and thirty million dollars. The work of these men is to assist the councils.

THE CHAIRMAN: When you speak of these inspectors checking up different funds, would you enumerate those funds again?

HON. MR. PARKER: Maybe I had better take the federal drought area first.

THE CHAIRMAN: Yes, keep the thing separate so we will get the picture clear.

HON. MR. PARKER: The federal drought area comprises 170 municipal units, covered from Ottawa.

Then again, ontop of that, there was a gift of one million dollars of fruit and vegetables. That was administered by the federal set-up here, in which our men assisted, which is entirely confined to the federal drought area.

Over and above that, the provincial government assists in hospitalization, medical aid, the provision of eye glasses, and so forth and so on. As regards the hospitalization, over and above the statutory grant of fifty cents per patient per day, we contribute an additional seventy-five cents per patient per day to the hospitals.

Again, in order to induce the doctors to stay in the drought area and render service, the public health department--the funds come, of course, from the relief department--gives \$150 to every doctor who has no income.

THE CHAIRMAN: Does not the doctor, if he has no income, get something besides the \$150?

HON. MR. PARKER: He gets \$150 a month, and mileage.

As regards operations on cases brought into the cities, they guarantee these operations at 25 per cent of the cost of the usual medical fees, and there is a limit of \$100 a month that can be paid to any one doctor. By making these arrangements the College of Physicians and Surgeons have guaranteed to give medical aid to the people of the province this year. It is estimated that it will cost between \$750,000 and \$800,000 out of provincial funds to these municipalities and people who are unable to look after themselves.

THE CHAIRMAN: Is that wholly for the drought

area or for the rest of the province, too?

HON. MR. PARKER: No, it is based on need. It takes in the whole drought area, but there are other municipalities that are unable to look after their people where this assistance is given.

As regards drugs, they are supplied by the Red Cross. If a physician gives a prescription it is sent in, and the Red Cross is contacted, and they provide the money for the drugs.

THE CHAIRMAN: These carloads of fruit and vegetables and clothing that have been sent in, do they all go to the drought area?

HON. MR. PARKER: They all go to the drought area--that is from the federal government, but most of these cars went outside the drought area where voluntary relief is providing the service. But before the federal government started their set-up there were some three hundred cars that went to the federal drought area before the federal government started to make that donation.

THE CHAIRMAN: The others go outside the drought area to places where they have not got fruit and vegetables?

HON. MR. PARKER: Yes, we have some 12 municipalities that have been on 100 per cent direct relief for the last four years, and which we as a provincial government asked to be included in the federal drought area, but they were not included. A line was drawn by the federal government, and there are some twelve municipalities that are just as badly off as those in the drought area.

THE CHAIRMAN: What is the distinction between

those municipalities, and the ones in the drought area?

HON. MR. PARKER: The difference is in administration. We are trying to deal with everybody on exactly the same basis, the basis of need, regardless of where they live.

THE CHAIRMAN: I was wondering why they were not included in the Dominion area.

HON. MR. PARKER: That was the decision of the federal government.

COMMISSIONER ANGUS: What was the cause of the difficulties in these other municipalities? Was it the drought or something else?

HON. MR. PARKER: Absolutely the drought, but the line was drawn by the federal government.

COMMISSIONER DAFOE: In other words, they drew the line in the wrong place?

HON. MR. PARKER: They did.

COMMISSIONER MacKAY: I am not quite clear as to the administration of this relief in the drought area. Does the federal government deal directly with the municipalities through you?

HON. MR. PARKER: Through us, and we deal through the municipalities with the relief recipients.

COMMISSIONER MacKAY: The money is paid to you?

HON. MR. PARKER: And we pay it to the municipalities.

THE CHAIRMAN: And the 81 inspectors that you mentioned supervise the relief and see or endeavour to see that no abuses arise in connection with the distribution of relief in the drought area, or is it all over the province?

HON. MR. PARKER: Over the whole province.

THE CHAIRMAN: Over the whole province?

HON. MR. PARKER: Yes.

THE CHAIRMAN: Then in all these drought areas the municipal organization is functioning relatively normally, is it?

HON. MR. PARKER: Yes.

THE CHAIRMAN: And it is through the municipal organization that the distribution of relief is made?

HON. MR. PARKER: Every council appoints a relief committee; sometimes it is the whole council, but at any rate a relief committee, and sometimes it consists of a certain number of their council.

THE CHAIRMAN: And do these 81 inspectors come under you?

HON. MR. PARKER: Yes.

COMMISSIONER MacKAY: Have you any opinion as to the efficiency of this relief administration? Are the municipal councils fairly efficient in administering the funds available?

HON. MR. PARKER: We think so. There is, of course, the odd case where they are not, but we believe that the vast majority are dealing with this administration as humanely and as effectively and as economically as it can possibly be done to see, first of all, that there should be no suffering, and of course, that there should be no abuse. The councils and the rural municipalities have found it impossible financially to carry on and do this work as they are receiving no taxes, and so the provincial government had to come to their assistance by financing them. Last year we

had in about 20 or 22 municipalities. They had even to pay for their postage stamps, and we also gave a small grant, fifteen or twenty or thirty dollars to the secretary, depending on the number of families on relief. From September 1 to the end of November the federal government paid the salaries, in some cases three months, in some cases two, \$125 a month to assist in the operation of the cattle moving plan. From September 1 to March 31, we are paying councils that are financially unable to carry on, \$75 to the secretary and \$25 for postage stamps and stationery, and \$35 to the council.

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THE CHAIRMAN: Per month?

HON. MR. PARKER: Yes. The council consists of six members, with the reeve -- six councillors -- and this gives them \$5 a month to pay for gasoline or meals while attending council meetings.

THE CHAIRMAN: The \$35 is distributed among the seven members of the council?

HON. MR. PARKER: Yes. Another contribution is with respect to teachers. As you know the grants have been raised \$100 in every school in the provinces here, and still the teachers are unable very often to carry on. It was not our intention to put them on relief, but in hundreds of cases they were unable to carry on, on the salary they are getting.

THE CHAIRMAN: What is the salary?

HON. MR. PARKER: It is only \$300 a year. They apply to the school board, who in turn make application to the council, and we make an advance to them of the amount that is decided. Fuel is also provided in hundreds of cases.

THE CHAIRMAN: For how many schools have you had to provide fuel?

HON. MR. PARKER: Probably 1,000 school-houses have been provided with fuel to enable them to carry on this winter.

THE CHAIRMAN: These teachers receive only \$300 a year?

HON. MR. PARKER: There are 3,000 schools that are provided with fuel.

THE CHAIRMAN: But I am referring at the moment to teachers' salaries. Take these teachers who are receiving \$300 a year; what do they pay for board?

HON. MR. PARKER: They pay \$15, or \$20 or \$25 a month in town.

THE CHAIRMAN: One cannot live on \$300 a year and

pay \$25 a month for board.

HON. MR. PARKER: That is the minimum.

HON. MR. DAVIS: A good many of these people are boarded in the community. I may say, Mr. Chairman, that the teachers are making a wonderful contribution towards the maintenance of education in the province, and they are doing so under very trying circumstances. There must be 3,000 schools in connection with which no taxes are collected at all.

HON. MR. PARKER: Outside the drought area the number of people who are on relief is 208,250. There were 199,350 at the end of last month in the drought area and 208,250 at the end of November outside the drought area. We get a grant in aid from the federal government amounting to \$230,000 a month; that is to say, the total amount we receive from the federal government, by way of grant in aid, from September 1st to March 31st next year will be \$1,610,000.

Our total expenditures for direct relief, that is outside the drought area, and those services that we have to finance both in the drought area and out of it, amount to \$7,139,714. Taking away from that the \$1,610,000 that we receive from the federal government as grant in aid for the seven months, we are left with money with which to operate, from the federal government, amounting to \$5,529,714.

Our greatest concern is with the financing of the three larger cities. There are sixty rural municipalities outside the drought area to whom we have to lend their municipal share of relief. In all other municipalities urban and rural we contribute eighty per cent of the expenditures on relief; but in sixty rural municipalities

we finance them, lending them twenty per cent.

In the cities we have to contend with our biggest problem. There are a good many representations made to us that these people are unable financially to carry the twenty per cent, and therefore it is really not a fair way to present the facts to you, inasmuch as they have to pay for the whole cost of administration and also medical fees, hospitalization, drugs, eye-glasses and everything else.

The number of employables and unemployables was obtained in rather a hasty way. Information was asked for by wire from Mr. Dawson, the Director of Relief, about ten days ago.

The population of Moose Jaw is 19,782 and the total number of people on relief is 4,130, and they claim to have 28.2 per cent of unemployables.

THE CHAIRMAN: That is, out of the 4,000?

HON. MR. PARKER: Yes sir. Take next North Battleford. That city has a population of 4,727 and the number on relief is 749; and they claim to have 42.3 per cent of unemployables.

COMMISSIONER ANGUS: Are the 42 per cent heads of families?

HON. MR. PARKER: Yes, that is 42 per cent of heads of families; and that of course includes the single men. In Prince Albert there is a population of 11,050, the number on relief being 1,243, and they claim to have 22 per cent of unemployables. Regina has a population of 53,389, and the total number on relief is 10,064, the percentage of unemployables being 25. These are the figures as at the end of last month.

THE CHAIRMAN: How many families would the 10,064 include?

HON. MR. PARKER: Heads of families in Regina number 2,447; the dependents 7,299 and the single unemployed 318. Saskatoon, with a population of 41,606 has 6,410 on relief, and 40 per cent of the heads of families are unemployable. Swift Current has a population of 5,056, the total number on relief being 1,680, and they claim to have three per cent of unemployables. The next figures I have are for Weyburn. Weyburn has a population of 5,325 with 804 people on relief, and their percentage of unemployables is 36.5 per cent. Yorkton has a population of 4,931, with 988 on relief, and 30 per cent of unemployables. That represents the eight cities on the list I have here with a total of 26,068.

THE CHAIRMAN: That is, 26,000 on relief?

HON. MR. PARKER: Yes.

THE CHAIRMAN: It would be about 25 or 30 per cent who are unemployable?

HON. MR. PARKER: About 31 per cent of the heads of families. The case of the cities we consider to be one of the biggest problems with which we have to cope. They are financially unable to carry on and shoulder the burden of relief. People are coming into these cities from dried out areas for many reasons. Many of them have lost heart; some lose their farms from one cause or another, and although we have legislation providing that municipal responsibility shall be placed where it belongs in the different municipalities, nevertheless we have to deal with these people in a humane way. They come here in the middle of winter, men with large families, and probably the houses they have left are occupied by others; and although we pay the amount of relief, the people in the cities have to take care of medical aid, hospitalization and so on. We understand that there are a number of

school buildings in the three large cities which are filled with relief recipients who are not a responsibility of the cities. This is one of the most difficult matters to administer.

THE CHAIRMAN: Under the law, the municipalities from which these parties come are responsible for their relief?

HON. MR. PARKER: Yes.

THE CHAIRMAN: And the government looks after that end of it where the municipality is not capable of making any provision?

HON. MR. PARKER: Yes.

THE CHAIRMAN: But the city in which they reside has to look after medical care and hospitalization?

HON. MR. PARKER: Yes. We also have in the north the Northern Settlers Reestablishment. Some 45,000 people moved up there from the south, people who were on direct relief; and under the agreement with Ottawa we are endeavouring to reestablish them.

THE CHAIRMAN: Are these people located north of the Saskatchewan river?

HON. MR. PARKER: Oh yes, in the extreme north of the province, in the local improvement districts.

THE CHAIRMAN: How far north of Prince Albert -- or northwest of Prince Albert?

HON. MR. PARKER: Some of them are 650 miles from here near the Alberta boundary in the extreme northern part of the province.

THE CHAIRMAN: Are they on land that is quite suitable for agriculture?

HON. MR. PARKER: A good many of them are not. We have had survey parties going into the forest reserves. They have/ ^{located}

four different parcels of land averaging about a township each. This land was surveyed into four quarter sections, and last year and this year people were moved from poor land on which they had squatted on to the good land. Relief is still being given to them and, with the assistance of this branch, they have been bringing their land under cultivation and many of them are self-supporting. We expect that in twelve months or so the great majority of them will be self-supporting.

THE CHAIRMAN: There are 45,000 of those?

HON. MR. PARKER: Yes, 5,000 heads of families.

THE CHAIRMAN: And you anticipate that within a year or a little over the whole of the 45,000 will be self-supporting?

HON. MR. PARKER: I would not say the whole, but quite a large number.

THE CHAIRMAN: Are they now located on land which is suitable for cultivation?

HON. MR. PARKER: Not all. There is a very small percentage who are not; but the difficulty we are confronted with is to find suitable land anywhere in the north country on which to settle them. Many of them came from our cities, with large families. They were out of work for a number of years and they moved north, by means of government assistance, under what is known as the three-way scheme; that is to say, the federal government provided \$200, the provincial government \$200, and the cities \$200. Of course, that \$500 was soon eaten up when they moved north. Lately, since we have started the Reestablishment Branch, we have found that they are all working and have brought a large acreage of land under cultivation this summer.

THE CHAIRMAN: Is there plenty of moisture up there?

HON. MR. PARKER: It was dry in some places this summer-drier than it had ever been. Even the oldest settlers claimed that they had never seen it as dry as it was in the north of the province this year.

THE CHAIRMAN: But normally there is an adequate rainfall in that part of the province?

HON. MR. PARKER: Yes. We have an agreement with Ottawa whereby they give us \$200,000 for the northern Settlers Reestablishment, and they have lent us an equal amount, which is charged to the provincial debt.

THE CHAIRMAN: But that movement has now ceased because you cannot find suitable land?

HON. MR. PARKER: Yes, there are no more being placed.

THE CHAIRMAN: Are there not very substantial areas in this province not under actual cultivation but held by private persons?

HON. MR. PARKER: We have made arrangements with the Canadian Pacific Railway and the Canadian National Railways and the Hudson Bay Land Company whereby we have been able to purchase certain tracts of land that are suitable for cultivation for these people. There are of course certain lands that are held by loan companies which are too high in price to enable us to settle them.

THE CHAIRMAN: Perhaps Mr. Taggart will tell us something about this when he comes. I suppose that the land held by the loan companies has come back on their hands?

HON. MR. PARKER: Yes.

THE CHAIRMAN: I judge from what you say that except

for land held by private companies, the land is pretty well all taken up.

HON. MR. PARKER: Yes, sir, it is pretty well all taken up in the north. Until a few years ago a good deal of land was homesteaded simply by a man entering upon it. It was available without inspection. And that is the reason why a good many people are unable to make a living on such land. The Department of Natural Resources, now that the province has taken over the administration of the resources, requires that land shall be inspected in order to ascertain whether it is fit for agricultural purposes, before anyone is allowed to enter upon it.

THE CHAIRMAN: I am sure it will be a revelation to a good many people in other parts of Canada, that substantially all land fit for settlement is taken up.

HON. MR. PARKER: Well, I believe I can safely say there is no more free land. We do not know of a quarter of a section that is available for homesteading.

THE CHAIRMAN: Have you made any survey -- one has been made in Manitoba -- of areas that are not under cultivation, which are held by private parties?

HON. MR. PARKER: I believe the Land Utilization Board will cover that. Mr. Taggart will be able to answer that question. Under the administration of relief we have the Farm Placement Scheme.

THE CHAIRMAN: What is that?

HON. MR. PARKER: In 1931 there were quite a number of men who were, as the saying was, riding the rods and some were getting crippled while others were being killed. The federal government then decided to issue an order forbidding anyone to travel on freight cars, and the police put a stop to it, with the result that these people

were stranded in the cities. The cities then applied to the federal government for assistance on the ground that these stranded people were not a responsibility of theirs. There was then put into force what is known as the Farm Placement Scheme, whereby farmers were offered \$5 a month to take people who were destitute. In order to qualify under the Scheme these people had to be single, destitute, homeless and unemployed. There were about 5,000 in Saskatchewan who came under the Scheme during the years up to last year. Last year the regulations were widened so as to take in women as well as men and also married couples. This year it was widened still further. It has however been abused to a certain extent by people who have been sending in applications not in conformity with the spirit of the agreement. Farmers sons, who were not homeless, have made application to work for neighbouring farmers. We have 42,000 applications at the present time from people who want to come under the Scheme, but it has been decided that only those who conform to the spirit of the regulations will be accepted. This has given a certain amount of trouble to the people throughout the province. Farming is practically the only work available in the province at the present time, and it appears that these farmers' sons and daughters will have to accept relief in the ordinary way because they will not be able to come under the agreement.

THE CHAIRMAN: If the farmer is not in the drought area there is no occasion to provide relief for farmers' sons and daughters.

HON. MR. PARKER: As I have pointed out, sir, nearly every municipality in the province is on relief.

THE CHAIRMAN: The municipality is, because it cannot obtain the money, but the people are not -- not all the people in the municipality?

HON. MR. PARKER: No, certainly not; but there are over 400,000 now, and there is no doubt about it there will be 500,000 in January or February. Men went to work on farms this spring and worked during the summer and received no wages at all in thousands of cases. We thought that this Scheme was a good one, whereby they would be able to get the \$5 a month.

THE CHAIRMAN: Is it working reasonably well?

HON. MR. PARKER: Yes, it is giving reasonable satisfaction. It certainly looks after transients who have been in the city looking for work, and no doubt it has kept several thousands of young men in the country from coming into the cities. Last year about 25,000 came under the Scheme, and this year, up to last week, there were 42,000 applications.

THE CHAIRMAN: That must embrace very large numbers who did not come under what was originally contemplated?

HON. MR. PARKER: Yes.

THE CHAIRMAN: The Scheme did not originally contemplate so many?

HON. MR. PARKER: Half of it is put up by the federal government and the other half by the provincial government.

THE CHAIRMAN: Is a fairly strict supervision kept over the administration of the Scheme to ensure that those who do not qualify are not permitted to take advantage of it?

HON. MR. PARKER: The application must be signed by two persons in the district. There must be the signature of the Justice of the Peace or a Clergyman, or some other responsible person. The application is then

given to the Municipal Council and is checked up in order to see that people who are ... in receipt of relief are not trying to come under the Scheme. Inspectors check up on the applications as far as it is possible to do so, and when they come to the office there are three men whose duty it is to screen the applications as they come in. Every possible precaution is taken to see that the spirit of the agreement is lived up to.

THE CHAIRMAN: What supervision if any does the Dominion exercise over the administration of the Scheme in view of the fact that it contributes? Have the federal authorities an inspector who also checks up?

HON. MR. PARKER: They have a continuous audit. Their auditor is in the office looking over the applications, and not only are the actual expenditures audited but every application is scrutinized. There are no relations coming under the scheme.

THE CHAIRMAN: And that applies to relief in the drought area?

HON. MR. PARKER: Yes, there is a continuous audit by the federal auditors as well as by our own men.

HON. MR. DAVIS: I should like to file a plan showing the province of Saskatchewan with the drought area marked. You will see that a portion of the plan is marked in red, and there are a large number of municipalities are marked in blue, wherein the province is contributing 80 per cent of the cost of relief; and then a number of municipalities are marked in green where the province is making a cash grant to the municipality in aid of relief, the municipality itself handling the problem. The municipalites shown in white are not in receipt of aid at the moment, but many of them, it is

anticipated, will require assistance before the winter is out.

EXHIBIT NO.41: Plan showing the province of Saskatchewan with the drought area marked.

THE CHAIRMAN: The white portions represent municipalities that are not receiving relief?

HON. MR. DAVIS: At the moment.

THE CHAIRMAN: And what do the red areas represent -- are those in the drought area?

HON. MR. DAVIS: In the red areas, the Dominion government pays 100 per cent of the cost of relief and agricultural aid.

THE CHAIRMAN: In the blue section you pay 80 per cent?

HON. MR. DAVIS: We pay 80 per cent of the expenditures of the municipalities for direct relief.

THE CHAIRMAN: And the green represents a comparatively small number?

HON. MR. DAVIS: A cash contribution is made -- a definite, fixed sum -- to the municipality, and that is the end of the contribution. From that map you will get some idea of what a tremendous problem it is.

Mr. Parker made reference to doctors. I have forgotten the number, but there are about 200 doctors in the drought areas, and there are doctors in some of the adjacent areas who are as badly off as those in the drought area. They were given assistance last year and the year before, though not to the extent that they have been assisted this year. The government requires them to supply returns showing actual cash receipts. There are 175 doctors who average in cash \$26 per month. The government, under the Scheme, is now paying them \$150 a month. The maximum is \$150, and from that

is deducted the actual cash earnings, the difference being paid over. So far as travelling expenses are concerned, we allow them \$100 a month, which is the maximum, and they make returns.

THE CHAIRMAN: The \$100 is for gasoline?

HON. MR. DAVIS: For gasoline and the operation of cars. Mr. Parker has given you an idea of the contribution made to the schools in that area in the matter of heating. The problem in regard to teachers is dealt with later in the brief. It is a vast problem, that of keeping the schools open.

At page 46 we come to a discussion of Municipal Finance. As I understand it, the reference to the Commission, strictly speaking does not cover municipal finance except in its relation to the province. The municipalities are of course creatures of the province, and what assistance we get guides and measures the assistance which in the future we can give to our municipalities. Therefore we are interested in presenting, as part of our case, the problem as it affects the municipalities, because it is a very vital one in this province, as some of the figures given by Mr. Parker indicate.

The first part of our submission under Municipal Finance shows the legal status of municipal institutions. I do not think it is necessary to go through all that. We have the City Act, the Town Act, the Village Act and Rural Municipal Act, and all these bodies are incorporated under these statutes. They have no special charters such as are to be found elsewhere.

The local improvement districts are unorganized sections of the province where there is no municipal set-up and where the government is carried on by the

Department of Municipal Affairs. I am not sure of the number of these local improvement districts, but the Department of Municipal Affairs takes the place of the Municipal Council and administers the affairs of the districts.

THE CHAIRMAN: Speaking of the municipalities, I received yesterday a communication from the reeve of one of the rural municipalities, in which he made certain suggestions, one or two of which I should like to mention to you. I should like to get your views. In this gentleman's view there are entirely too many local municipal units, and he thinks that it would be much better if the units were enlarged. He says:

" The province of Saskatchewan is overburdened with local governments. I suggest that the rural municipalities be disbanded and the province divided into counties not less in size than six municipalities".

HON. MR. DAVIS: When the province was formed a decision had to be made whether the county system of Ontario should be followed or whether there should be smaller units. The small municipality was decided upon as one that would function more efficiently, and it has always been a question whether or not that was a wise policy. At any rate, it is the one that has been pursued. At the last Session of the Legislature, or the Session before, we provided means whereby the municipalities may combine into larger units; and after this period has passed, when people are not so taken up with matters of distribution as to be unable to give any attention to matters municipal -- because municipal organizations as such are not functioning in the rural areas to any great extent -- I believe that ultimately there will be a

tendency towards larger units of administration in respect of these municipalities.

THE CHAIRMAN: I assume that in those days, when these municipal units were set up, it was anticipated that the population of the province would be substantially larger than, according to present prospects, it would appear likely to be?

HON. MR. DAVIS: Well, I presume that was in mind. After all, the cost of operation of a local unit is, under ordinary circumstances, very slight. These councils receive a very small amount for administering affairs. The reeve gets only so much per meeting for so many meetings a year, and generally there is only one official, namely, the secretary. Sometimes, under peculiar circumstances, he has to have assistance, but the cost is not great and in the main the system has functioned satisfactorily. The Deputy Minister of Municipal Affairs is here and no doubt he can tell you something about it.

MR. J.J. SMITH: Well, I think it is this. These were the horse and buggy days, and it was not so convenient to get around. There has been a suggestion that the municipal units might be larger than they are. Of course, there is an objection to that. The ratepayers would not be in close proximity to the municipal offices, and the services might not be as efficient on the part of council and the municipal officials. As stated by Mr. Davis, provision was made at the last session of the legislature for amalgamation of municipalities upon petition of a percentage of the ratepayers and on vote. Where the matter is submitted to the electors a majority vote of the proposed amalgamation of municipalities will be sufficient to insure amalgamation of the municipalities. There seems to be disinclination on the part of residents of municipalities to amalgamate. They feel they can obtain much better service under the present system. We doubt, in the department, as to whether very much saving would be effected.

THE CHAIRMAN: I have understood that there has been a tendency for local municipalities to purchase their own road machinery, and go to expenditures which might well serve a much larger area than purely a township.

MR. J.J. SMITH: Yes, that is true, But we encourage municipalities to cooperate in the use of machinery. We have advocated the appointment of an engineer by number of municipalities. He would do the work for them and they could cooperate in the use of their road making machinery.

THE CHAIRMAN: With conditions as they are today municipalities to the number of six or seven might be combined and the access would be quicker and more convenient in the six or seven than it was with the horse and buggy twenty five years ago.

MR. J.J. SMITH: Yes, but in that case you get away from the advantage of local control. The larger the unit the less the individual has to say in the management of the local affairs of the community.

THE CHAIRMAN: Thank you.

HON. MR. DAVIS: Where they have the county system I think they impose a lot of obligations on these counties which are in this province now assumed by the province. For instance, I think in the counties they require them to combine rooms for the judiciary, court house and so on. I do not know what they do respecting land registration. Then, they do policing and other responsibilities which in this province, are entirely assumed by the province. The local rural municipality does not maintain any police force, and does not make any of the contributions that are imposed on the counties where a county system functions and the township as in Ontario and other places.

MR. GROSCH: We have our county, but our county is divided into townships.

THE CHAIRMAN: Quite so.

MR. GROSCH: In Saskatchewan we have our townships, and we call them municipalities, and we have no county as such.

THE CHAIRMAN: This particular reeve's suggestion is to abolish the township council and have a larger area of six or seven townships and call it a county.

MR. GROSCH: Mr. Chairman, you will probably remember the agitation in Ontario to abolish the township and give the county more power. The result was always the other way. They took more away from the county and gave more to the township, because they were closer to the people. That is as I recollect it when I was there. As I say, we are minus the counties. We have the township system. In our rural municipalities we have not as much overhead as they

have in Ontario.

THE CHAIRMAN: That is perfectly true, because as Mr. Davis has pointed out, the municipality does not undertake nearly the extent of the service the county does. You have county court houses, county land registry offices and so on. However, this communication came to me from a reeve of one of the municipalities. He expressed his regret he could not be present because he could not afford to pay his way. I just wanted to ask your view on his suggestion.

HON. MR. DAVIS: I did not know until this moment the set up in Ontario. I did not know they had townships within the counties, and two forms of government, township government and county government. We have eliminated county government and have only townships in the province; so that there is less government here than there would be in Ontario.

COMMISSIONER MacKAY: You think, Mr. Davis, that the present arrangement whereby the province carries on many of the duties which in Ontario are carried on by the county is preferable for a rural society?

HON. MR. DAVIS: Yes, I think so. I think our present system, while it imposes greater burdens upon the finances of the province, gives a more equalizing service throughout the province. If you took the present provincial responsibilities and broke them down and handed each of them to the municipal units there would not be the same amount of equalization, because most of the municipal units are not in a ^{good} financial position to do the work, and therefore there would be a greater degree of equalization ~~be~~ the present system, and I think much more satisfactory.

THE CHAIRMAN: This same reeve suggests that a much more equitable system of taxation than the tax on land, would be a tax on production.

HON. MR. DAVIS: That might be; but that theory is supported strenuously by those who are not producing, and not so strenuously by those who are producing.

THE CHAIRMAN: I suppose it would not bring in much revenue in the drought area anyway.

HON. MR. DAVIS: I remember the chairman of the Jacoby Commission telling me that a man appeared before his commission strongly in support of a production tax. The chairman of the commission asked him if he had any crop. The reply was that he had not had any crop for some years. The chairman then asked him: "Would you be in favour of that tax if you were producing crops?" The reply was: "I would not; that is a different thing. I would not be in favour of it then, but I am in favour of it at the moment because I am not producing." Sometime something might be done, in connection with crop insurance. They are going to discuss that later on. It will more or less touch on the field of taxation.

COMMISSIONER MacKAY: Do you think the present rural municipality which, I understand is 10 miles --

HON. MR. DAVIS: 18 miles square, nine townships.

COMMISSIONER MacKAY: ---is generally an efficient unit for carrying on local government insofar as it is necessary.

HON. MR. DAVIS: Yes; that is my opinion.

COMMISSIONER MacKAY: Would it be, if the state took on the duty of health insurance or something of that nature, where you would probably have to use local authority, an efficient unit?

HON. MR. DAVIS: I think so; and there is gradually growing the spirit of cooperation in that connection. For instance, the municipalities are forming into units known as hospital districts. Several of them are providing hospitals and hospitalization for the people. There is that

tendency, as I have said here, for the units actually to combine in a larger unit.

COMMISSIONER MacKAY: Has the province any authority to compel cooperation?

HON. MR. DAVIS: No, we have nothing of a compulsory nature compelling cooperation, because we have felt cooperation and compulsion are two different things. When you start to compel cooperation you have not got cooperation.

COMMISSIONER MacKAY: Conceivably it might be more efficient to compel them to cooperate in the use of road machinery or one engineer for a large area.

HON. MR. DAVIS: The province provides engineering facilities for the rural municipalities, and they cover a large number of municipalities. There is a tendency -- ultimately it may come -- for the province to provide the machinery for a large number. They have got the municipalities to provide machinery for road construction. I think that is something that will evolve in the future in regard to construction of rural roads in municipalities. There is that tendency, of course. You see it in the press of in regard to Canada / government bodies and it reaches a tremendous total. They say all you have to do to solve our problem is to cut down that number. I am not one of those who think that is going to solve our problems, because after all a lot of these bodies are small, local organizations like school districts, which have small functions, and which are more efficient and more cheaply operated than larger units might be.

HON. MR. PATTERSON: Might I point out, we have in this province a plan where we use a municipal doctor. That plan is financed entirely by the municipalities. The present size of the municipality is just about the area which one doctor could adequately serve. Now, it is true

in some places, because of conditions, the municipality is divided up due to the location of towns and so on; but in most cases one doctor serves this eighteen miles square area, and it just seems to be about the area that one doctor can properly serve. There are sixty-seven municipalities in the province that have the service now. They have complete medical service so far as that municipality is concerned. So far as unit hospitals are concerned, by our plan one municipality if it wishes can establish a municipal hospital, or two adjoining municipalities can establish one, or two or one and part of an adjoining municipality can establish one. The thing is entirely in the hands of the people to adjust conditions to the local situation, and it really works very satisfactorily on that basis.

MR. CHAIRMAN: In the case of these municipalities where you say health service is provided, or one medical doctor is provided, is that under a provincial system of providing health service for the municipality.

HON. MR. PATTERSON: No; the law allows a municipality to engage a doctor and pay him so much, according to the agreement, to provide doctor's service to the residents of the municipality. Now, these contracts between the doctors and the municipalities are not all uniform. In some cases the doctor does what they call minor surgery, and in other cases he does everything. That is a matter of arrangement. The only thing is this: the agreements are subject to revision or supervision by the department of public health.

THE CHAIRMAN: Is the amount that is paid to the doctor a municipal tax rate?

HON. MR. PATTERSON: It is included in the municipal tax levy. The same thing with regard to hospitals. The

law is permissible. As I explained one municipality may build a municipal hospital; two may go together; three may go together; or four may go together, or one and parts of two or three adjoining municipalities. If you look at that relief map you will notice our municipalities are in the main cut out as square. There is not as much regard to natural boundaries, perhaps, as there should have been. That may be a debatable point. But in any event all of these things are necessary because the municipalities are laid out without reference to the location of the railroads or the location of the larger towns where naturally hospitals are established, and that sort of thing. They have to be flexible. In this way the scheme operates to the advantage of the people who want to participate.

THE CHAIRMAN: Thank you, Mr. Patterson.

HON. MR. DAVIS: It has been suggested that perhaps I may have left the wrong impression when I said the only area of Saskatchewan which suffered any drought this year was the area marked in red on that map. As a matter of fact this year the drought conditions prevail over practically the entire province of Saskatchewan with the exception of a very little section in the north east corner. The average rate of production of wheat this year was two and a half bushels per acre. The lowest it had ever been in the history of Saskatchewan before that was eight bushels per acre. Therefore, virtually the whole province failed to produce any quantity of wheat. I shall refer to that when we come to the section dealing with that subject. The production of wheat this year will probably be 16 million bushels, or 32 million bushels. To get anything near that figure you have to go back to the early formative days of the province.

COMMISSIONER DAFOE: The drought area map dates from last year. It was drawn in connection with the rehabilitation scheme.

HON. MR. DAVIS: Yes.

HON. MR. PATTERSON: No. The red area on this map is called the drought area, or generally speaking the federal drought area. That is under the agreement which dates from the first of September last. That relief area we now know -- the red area -- as the federal drought area. The balance is what we call the provincial drought area.

THE CHAIRMAN: That is the portion which the federal government has agreed should be provided with relief wholly at the expense of the federal government.

HON. MR. PATTERSON: We had a similar situation last year, Mr., the federal government assumed full responsibility for a certain area -- not so large as it is now, of course. It was exactly the same situation, and in that area they accepted the full responsibility. They had a so called federal drought area, and in the balance of the province where we had to give relief we called it the provincial drought area. But this area is for the current relief year.

MR. ST. LAURENT: These statistical tables run from September, 1937, to March, 1938, and contains even a greater breakdown. Perhaps it might be of interest to have them as exhibits. I shall put in the first one, which contains the cities, as Exhibit 42.

EXHIBIT NO. 42: Table containing information in regard to cities in the drought area.

HON. MR. DAVIS: This indicates the number of heads of families in the cities in the province with their dependents, and the number of persons in receipt of relief

and the total; the percentage of unfit, the percentage of heads of families and so on.

MR. ST. LAURENT: Exhibit 43 is a statement as to numbers of cities, towns and villages, the proportion in the drought area and the proportion outside of the drought area receiving relief.

EXHIBIT NO. 43: Statement regarding cities, towns and villages, giving proportion in drought area and proportions outside receiving relief.

HON. MR. DAVIS: The term "federal drought area" is confusing. The federal government have just drawn an arbitrary line across the province in that area which is known, as we have been referring to it, as the drought area. That should mean the federal drought area for relief purposes. It has no relation to the drought area because practically the entire province is the drought area.

MR. ST. LAURENT: Exhibit 44 is an estimate of expenditures in this federal drought area?

HON. MR. DAVIS: Yes.

MR. ST. LAURENT: From September, 1937 to March, 1938.

EXHIBIT NO. 44: Estimate of expenditures in federal drought area from September, 1937, to March, 1938.

Exhibit 45 is an estimate of expenditures of the province outside the federal drought area for the same period.

HON. MR. DAVIS: That is right.

EXHIBIT 45: Estimate of expenditures of the province outside the federal drought area from September, 1937, to March, 1938.

THE CHAIRMAN: Thank you.

HON. MR. DAVIS: It might be of interest to file a map showing the average wheat production per municipality for the year 1937.

EXHIBIT NO: 46: Map showing average wheat production per municipality for the year 1937.

THE CHAIRMAN: That varies from nothing to what?

HON. MR. DAVIS: From nothing to twenty bushels or over. I shall see if I can find one of these. There are a very, very few here. I see 15 bushels to 19 bushels. There are a few of these. Then, 10 bushels to 14 bushels; there are very, very few of these. The majority, you will note, is left in white which shows that the average is less than 5 bushels to the acre in that municipality. It is pretty difficult, of course, for the government to draw a line and say they will assume responsibility for that section in the province and make it equitable. We realize that they have to stop somewhere. We think it might have gone a little further, but that is a matter for debate. I have explained the set-up of the municipality. Then, we explain on page 47 how the school districts are set up and what powers they have; also in regard to union hospitals boards, telephone companies and so on. In the rural part of the province the telephone companies are private companies owning telephone systems. The cost of the telephone system is charged against the land as a telephone tax. At the bottom of page 47 there is a paragraph which indicates that the local government board has control over the telephones. Mr. Grosch, the Chairman of the local government board is here and could explain it to you.

THE CHAIRMAN: Is it the law governing all your municipalities that no bonded debt can be incurred without the consent of the municipal commissioner?

HON. MR. DAVIS: Yes; without the consent of the local government board. That covers all capital expenditure.

HON. MR. PATTERSON: It covers school districts and rural telephone districts as well, sir.

THE CHAIRMAN: There is no restriction on their current liabilities.

MR. GROSCH: No.

HON. MR. DAVIS: We have no control over their current levies and current expenditures; but all capital expenditures of cities or towns, rural municipalities, school districts, telephone companies, union hospitals, are subject to the approval of the local government board.

COMMISSIONER MacKAY: That applies from cities down to rural municipalities.

HON. MR. DAVIS: All the way down to the smaller units, the school districts.

MR. GROSCH: And the rural telephone companies and the union hospital districts, where the capital expenditure has to be funded. They make capital expenditure out of current levy as they wish, but that immediately shows itself in the tax rate.

COMMISSIONER MacKAY: Of the bonded indebtedness?

MR. GROSCH: Of the bonded indebtedness.

THE CHAIRMAN: But there is not control, I suppose, over their borrowing allegedly for current account?

MR. GROSCH: No.

THE CHAIRMAN: I understood from conversations I have had here before that so far as bonded indebtedness is concerned the municipalities were in very good condition.

MR. GROSCH: I believe you will find that by the statistics, Mr. Chairman;

THE CHAIRMAN: So far as current obligations are concerned they are in a serious condition.

MR. GROSCH: That is where the difficulty lies.

HON. MR. DAVIS: The statistics will show, speaking from memory, that the bonded indebtedness of our rural municipalities is only \$145,000, and we have over 202 of them in the province, speaking from memory.

MR. GROSCH: It is less than that.

HON. MR. DAVIS: On an assessment of away over a billion dollars on land the municipal indebtedness is the school indebtedness and the telephone indebtedness.

MR. GROSCH: The rural municipalities bonded indebtedness, Mr. Chairman, is less in the entire province than, I would say, in one rural municipality in the province of Manitoba. From that, you will see how very low it is.

THE CHAIRMAN: It is good to find some governmental organizations that are not burdened with heavy debts.

HON. MR. DAVIS: We have the figures of the school indebtedness in this section later.

THE CHAIRMAN: Perhaps you had better take it up when we reach it.

HON. MR. DAVIS: The pages up to page 48 indicate the organization of the units and their method of collecting taxes.

We now come to section 2 headed as follows:

2 EXPENDITURES

(a) Purposes of expenditure.

Municipalities are organized for the purpose of rendering to the ratepayers certain services which they either cannot obtain for themselves or cannot obtain at a less cost than the municipality. Rural municipalities, provide means of communication to their residents such as roads, bridges, culverts, sidewalks, together with machinery necessary to construct or main-

tain such works. They may also provide certain protective services such as the extermination of plant, insect or animal pests. They may expend money to prevent or control animal diseases. Such services deal with the protection of property and may also include the protection of individuals from violence. Rural municipalities are also given power to provide certain social services to their residents such as medical attention to indigent persons, relief in the form of food and clothing, grants to hospitals or charitable institutions, or the partial socializing of some of these services such as providing for the hospital fees of all residents or providing a physician to give medical attention to the residents of the municipality without any charge other than a general tax imposed for the purpose."

That is, a municipality in addition to having the right to employ a municipal doctor also has the right to make a contract with a hospital for hospitalization of ratepayers within any division, and that fixed sum is paid to the hospital that provided the hospitalization. The amount to provide for that hospitalization is obtained through a municipal tax.

COMMISSIONER MacKAY: Is there any check by the provincial Department of Health or the municipal commissioner on these contracts?

HON. MR. DAVIS: The Minister of the Department of Health is here and perhaps can answer that.

HON. DR. UHRICH: We have what is known as a health service board. All contracts by municipalities with hospitals or in relation to municipal doctors or municipal nurses have to go to the health service board, and are subject, therefore, to control. They cannot go recklessly into this. On the health service board we have a representative from the municipalities, and a representative of the medical association. There is also

a representative from the municipalities as far as the hospitals are concerned. In that way they are checked.

THE CHAIRMAN: May I ask one question, Dr. Uhrich, how is the system of municipal medical officers working? Is it increasing or otherwise?

HON. DR. UHRICH: I suppose, Mr. Chairman, you are referring to municipal doctors?

THE CHAIRMAN: Yes.

HON. DR. UHRICH: Well, sir, the system so far as municipal doctors are concerned is very popular in the province, and has always been since its inauguration. At the present time we have some sixty-seven municipal doctors in the province. I should say it is increasing rather than decreasing. Of course, owing to the fact that many of the municipalities are in such poor financial shape at the present time they are unable to contract with municipal doctors. Many of these municipal doctors are not receiving very much salary at the present time owing to the fact that the municipalities have not tax paying powers; but at the same time the contract is there and I should say it is very, very popular in the province. We look on the further development as soon as times get a better. They give very, very satisfactory service, however, and people are well pleased with them.

THE CHAIRMAN: Did you speak of nursing?

HON. DR. UHRICH: Yes.

THE CHAIRMAN: Have you provision for nurses?

HON. DR. UHRICH: In the municipal act we have provision whereby municipalities can engage municipal nurses in the same way as municipal doctors, and they raise their salaries by means of taxation. There is also provision in the municipal act whereby municipalities can contract with hospitals to supply free hospitalization for the people in the municipality and raise the money by special taxation

THE CHAIRMAN: Has municipal nursing developed extensively or not?

HON. DR. UHRICH: Not as extensively as municipal doctors.

THE CHAIRMAN: One can quite appreciate the difficulty there, as a nurse cannot nurse half a dozen patients at the same time.

HON. DR. UHRICH: Yes.

THE CHAIRMAN: One can see a doctor might render service to a municipality where a nurse could not possibly do it.

HON. DR. UHRICH: That is it.

THE CHAIRMAN: Thank you doctor.

HON. MR. PATTERSON: I shall now go on with paragraph 2 under expenditures:

"Services rendered by urban municipalities are of greater variety and more extensive than those given by rural areas. Urbans not only provide police protection for their inhabitants, but also provide for the prevention and suppression of fires, illumination of streets and inspection of buildings to prevent faulty construction and other elements of danger. In addition, urban municipalities have the right to give certain services which protect the lives of human beings, as for example: the prevention and control of diseases through proper inspection of food and sanitary conditions and the collection and disposition of sewage. Certain special services are also rendered such as maintaining municipal hospitals, providing for medical care and assistance to indigent person, supplying direct relief to the inhabitants of the community, providing parks or other forms of recreation and making grants to charitable or community institutions. Urban municipalities also enjoy the privilege of constructing and maintaining public works such as streets, roadways and other means of communication

and providing special services such as electric light and power, transportation and water works systems."

THE CHAIRMAN: Do not the rural municipalities make their own roads?

HON. MR. DAVIS: Yes, but some with government assistance. The cost of them is not as great as in the urban municipalities.

"Education services are rendered through the medium of school districts to the residents of organized municipalities and to those residents of the more thickly populated unorganized areas where school districts have been established.

(b) History of expenditures of Municipalities by classes of expenditure.

Expenditures of municipalities may be placed into three main divisions. There are first of all those expenditures which one may term budgetary expenditures: that is, provision is made each year for certain purposes and the actual expenditures for such purposes are borne by the revenues raised in that year. Secondly, there are those expenditures made from the proceeds of debenture issues which differ from the preceding group in that they are not an immediate burden upon the taxpayer. There is a third class of expenditures which, when made, are presumed to be collectible. They are not immediate losses which must be absorbed by taxation or other income but are charged to the accounts of the individuals receiving this service and attempts are made subsequently to collect from the persons concerned.

The first statement in Appendix B, to be found on page 402, is a summary of expenditures of each of the four classes of municipalities, the expenditures being classified. This statement contains the first two

types of expenditure mentioned in the preceding paragraph and relates to a period of fourteen years. Five schedules make up the statement, representing each of the four classes of municipalities, and costs of education of all primary and secondary schools in the province.

It might be well to turn to page 402 and take a look at the table. The table is a breakdown of the rural municipalities, villages, towns and cities, from the years 1922 to 1935 inclusive. The expenditures are broken down into the various items. It is interesting to note the change in expenditures.

THE CHAIRMAN: Administration has not greatly changed.

HON. MR. DAVIS: Not greatly. It was \$1,114,000 odd in 1922 and \$1,356,000 odd in 1935. There is not a very great change in 14 years. There is some change in bank interest.

THE CHAIRMAN: Bank interest went down greatly in 1927 and 1928. I suppose that is when they paid off any loans they had. Did you have good crops in those years?

MR. GROSCH: That is correct.

HON. MR. DAVIS: That figure would be very materially reduced now in that the major portion of the indebtedness of the municipalities to the banks was the \$5,500,000 which the province guaranteed, loans for relief. I referred to that yesterday. That item of bank interest payable by the rural municipalities of the province to the banks, would be a very small amount. There has been a drop in the item "protection of person and property".

THE CHAIRMAN: Is that because of the change.

HON. MR. DAVIS: I presume more is being done through

the relief administration.

THE CHAIRMAN: Did you always have the mounted police here under an arrangement with the dominion government.

HON. MR. DAVIS: A good many years ago they had the mounted police, and then that arrangement was cancelled and the provincial police set up. Then sometime about 1927 we made a new arrangement with the dominion, abolished the provincial police and substituted the mounted police.

THE CHAIRMAN: I noticed the big drop in 1935 and I was wondering what the explanation was.

HON. MR. DAVIS: Is that in our rural municipalities.

THE CHAIRMAN: Yes. The item reads: "Protection of person and property, 1934, \$358,758", and that drops to \$150,227 in 1935.

MR. JACOBS: These expenditures are largely for extermination of pests. There is very little police protection in the rural municipalities. In fact we made a summary for the Attorney-General's department the other day and it was less than \$100 for all rurals. The reason there is a break in these expenditures up until 1931 is that the municipalities contributed to the extermination of grasshoppers, gophers, and things like that; whereas after that the department of Agriculture pretty well took over the expenditure.

THE CHAIRMAN: The Dominion Government forces look after the gophers and grasshoppers in the same way as the mounted police look after the criminals.

HON. MR. DAVIS: If they did that we would be all right. We now come to "Maintenance, Public Works." Now construction of roads and bridges you will note has dropped to \$195,158 for all rural municipalities in the province, As is shown here it is at a standstill. The high point for that was \$2,757,000 odd in 1928 and \$2,059,000 odd in 1929. It is interesting to note that "Medical Services,

Charities and Recreation" have jumped from \$356,124 in 1922 to \$1,073,053, in 1935.

MR. JACOBS: There is a very little share of relief in there.

MR. GROSCH: The individual is no longer able to do it.

HON. MR. DAVIS: An interesting column, and a very satisfactory one is this "Debenture Charges, Principal and Interest".

THE CHAIRMAN: Yes, it is.

HON. MMR. DAVIS: Their annual charge in 1922 was \$175,425, and in 1935 it had dropped to \$26,234. That is all it takes to take care of the debentures and interest for over 300 municipalities.

THE CHAIRMAN: I suppose the moral is not to be drawn that if there had been a similar control over dominion or provincial expenditures we might have had a similar result.

HON. MR. DAVIS: I suppose, possibly the fact that these matters reflect themselves in the provincial debt is because of the many services that we render the municipalities that they do not render elsewhere.

MR. GROSCH: There is this feature. You will notice in 1930 there was spent on roads \$2,059,027, and there was borrowed by way of debenture \$41,000. It has been the custom in rural municipalities to take any service tax collection and spend that on road construction, ^{and} that sort of thing, rather than to borrow by way of debenture and spread it over a period of years.

THE CHAIRMAN: It appears to have been a pretty sound system of finance. It is to be hoped other governmental bodies may profit by it.

HON. MR. DAVIS: You will note there has not been any expenditure from proceeds of debentures since 1930

in the case of rural municipalities. Schedule B covers villages. Administration was only \$4,000 more than it was in 1932. Bank interest was \$20,824 in 1922 and it is only \$6,853 now.

THE CHAIRMAN: That is a very satisfactory statement.

HON. MR. DAVIS: If you go to towns you will see their administration costs are less now. They were \$208,472 in 1935 as against \$255,915 in 1922. Bank interest has dropped from \$46,824 to \$11,183. Their debenture charges, principal and interest were \$294,617 in 1922 and they are \$166,641 now. Their debentures issued since 1931 are small, \$70,000 odd in 1931, \$15,000 odd in 1932, nothing in 1933 or 1934 and \$25,128 in 1935. The difficult picture is the next one, the cities. Their administration costs were \$450,035 in 1922 and \$457,581 in 1935. Generally, they have kept their costs of administration down. Bank interest was \$116,000 odd in 1930 and \$131,000 odd in 1935. Protection of person and property was \$798,000 odd in 1922 and \$809,000 odd in 1935. New construction in the case of cities with regard to roads and bridges is shown practically as at a standstill and it has been for the last six years.

THE CHAIRMAN: Is the big jump in expenditures for medical service charges and recreation?

HON. MR. DAVIS: Yes.

THE CHAIRMAN: Does that include relief?

HON. MR. DAVIS: No; that would not include relief.

MR. GROSCH: Except in towns and cities there is a proportion that the city debentures in general bears to direct relief. That is included in there.

COMMISSIONER ANGUS: Could this be medical services for relief cases?

HON. MR. DAVIS: Medical services, charities and recreation \$846,000 odd in 1935. What would be in that item of \$846,000?

MR. JACOBS: We call relief cases indigent cases when they need medical services.

THE CHAIRMAN: I take it this includes the total expenses by this city for relief purposes insofar as it is not recouped from outside sources, 20 per cent medical services and other matters of that kind.

MR. JACOBS: Yes.

THE CHAIRMAN: That explains the great increase in the amounts in that particular column.

MR. JACOBS: Yes.

HON. MR. DAVIS: Would that item of \$846,000 include the 20 per cent city share to direct relief?

MR. JACOBS: Maybe I had better clarify that. When we come to the details on relief expenditure you will observe while the city or town bears 20 per cent of direct relief it does not charge all of that to the expenditure of the current year. It charges a very small proportion, because they capitalize the balance. It is only the proportion of the charges of expenditure for direct relief which is included in this table. You see, in this column that varies, of course, in each city.

HON. MR. DAVIS: It is shown later, is it not.

MR. JACOBS: Yes. We have another statement on direct relief costs showing the difference between what they absorb into their current year and what they capitalize.

HON. MR. DAVIS: The point I was trying to make is that that figure does not give a fair indication of the cost to those eight cities of direct relief for the year 1935.

MR. JACOBS: No.

MR. ST. LAURENT: Perhaps we could have a statement as to the population of the cities entered in the margin. It would be an interesting basis of computation. On page 134 the rural population is given for 1921, 1926, 1931 and 1936. In 1936 the rural population was 650,000 odd. The rural municipal expenditure appearing in the column there would be in respect of the 650,000 odd people.

HON. MR. DAVIS: That is right.

MR. ST. LAURENT: I have not been able to find the breakdown of the other three groups, villages, towns and cities.

MR. JACOBS: For 1936?

MR. ST. LAURENT: Yes.

MR. JACOBS: The eight cities have a population of 145,875; the 82 towns have a population of 60,970.

THE CHAIRMAN: And the villages?

MR. JACOBS: The 333 villages have a total population of 73,595.

HON. MR. DAVIS: The rurals.

MR. JACOBS: The rural municipalities, according to the last census had a population of 586,903.

HON. MR. PATTERSON: The balance would be in unorganized areas.

HON. MR. DAVIS: Total these up and deduct them from the total population and the balance would be in unorganized territories which are rural with the exception of the odd hamlet.

THE CHAIRMAN: Thank you

HON. MR. DAVIS: I am going back to the brief at the bottom of page 49.

"A study of the information contained in statement 1 will show the trend both as to volume of expenditures made for certain purposes and the relative burden on the taxpayers for the services they receive. Generally speaking, there has been a decided and successful effort in rural municipalities and to a lesser extent in urbans to reduce controllable expenditures to a minimum during the difficult years of the depression. This tendency is reflected in the expenditures for construction and maintenance of public works. The reduction is particularly noticeable in rural municipalities, where it dropped from a high peak in 1928 and 1929 to an amount of approximately one-third in the case of maintenance costs and less than 10 per cent in the case of new construction, of the total expended in the closing years of the prosperous period immediately preceding 1929. The reduction in construction and maintenance of public works has undoubtedly been too drastic as necessity has forced municipalities to forego certain expenditures which were needed to maintain the asset in good working order but which were postponed in the hope that the following year would permit the expenditure to be undertaken without adding too heavy a burden on the taxpayers. In cities and towns the result of this policy is reflected in table 1 which gives an estimate of construction now necessary and the additional cost resulting from particular works having been allowed to deteriorate to a greater extent than they would have, had maintenance and repair been provided for as needed."

Table I

- (a) Estimated amount of capital expenditure and repair and maintenance required to place all works in a satisfactory condition

efficiency comparable to that existing in 1929."

We sent out questionnaires to the cities and towns in this regard and we have had answers from five out of eight. They estimate they will have to spend \$1,332,850 in order to put their works back in the same condition of efficiency as they were in 1929. Nine out of fifteen towns indicate an expenditure of \$165,750 is necessary to do that.

"

- (b) Estimated increase in cost of repair and maintenance now required over probable cost had the expenditure been made when first needed."

In the case of the cities they say it will cost them \$142,500 more to do that work than it would have had they done the work as needed, and in the case of villages, \$41,000.

"Costs of administration are fairly constant in all municipalities regardless of periods of prosperity or financial stress. Reduction have, of course, taken place particularly in salaries of officials, but this has been offset to a certain extent by the necessity of having additional office help because of the immense problem of relief administration.

"It is of considerable interest to follow the trend of expenditures for interest on short term borrowings. In rural municipalities following the depressed period of 1920 and 1921 when the cost of financing had noticeably increased, there was a definite gradual reduction coinciding with a period of good crops. From 1929 on, however, this item of expenditure has grown to a substantial figure. While there appears to be a lessening of this burden in 1932 and the two subsequent

years, this is not a trend reflecting actual conditions, as during this period rural municipalities have been financed by the government taking the place of the banks, and statements of accruals of interest on debt obligations to the government have not been set up. Had such accruals been incorporated each year in the records of municipalities it is estimated the annual cost of interest on loans in rural municipalities would have reached almost one million dollars. Likewise the liability of rural municipalities to reimburse rural telephone companies for accrued interest on debentures in default is another item which would have swollen municipal interest obligations. This item is unknown at the present time as it has been impossible for telephone companies to pay debentures in default to any considerable extent.

In smaller urban municipalities such as villages and towns, the cost of financing has been gradually reduced during the last four or five years. This is due to the fact that the government has assisted to a considerable extent in meeting the cost of direct relief which in a number of instances has included loaning to the municipalities their share of total relief advanced.

Some reduction is shown in expenditures relating to public health and sanitation. Such expenditures are in many instances so necessary that they are difficult to control and much more difficult to reduce. The fact that reductions have taken place in the cost of public health and sanitation in all classes of municipalities may indicate that the health of the people of the province would have been endangered had there not been an extension of government services.

Expenditure of municipalities, in providing medical care and treatment to certain individuals or in assisting other institutions to provide such services, show a decided trend upwards even through the period of good crops. From 1922 to 1928 when the west constantly produced better than average crops, rural municipalities increased their costs of medical services and charities from \$366,000.00 to almost \$600,000.00."

I presume that was going in more towards socialized medicine.

"From that point on the increase has continued, being somewhat rapid in certain years, reaching a total in 1935 three or four times as large as it was in 1922. This trend is significant when one considers that municipalities have been assisted by the government in meeting costs of direct and other relief, and this particularly applies to rural municipalities where even the municipality's share of direct relief has not been absorbed as a loss to be met by taxation, but has been charged to the recipients with the intention at the time the advance was made that such charges would eventually be repaid. The trend in this class of expenditure definitely shows a tendency towards at least a partial socialization of the services rendered. There is a strong demand on the part of ratepayers for medical and hospital services to be borne entirely by taxation or some other form of municipal or provincial revenue.

THE CHAIRMAN: Mr. Davis, would you say that that is not putting it too strongly? You say; "there is a strong demand on the part of ratepayers for medical and hospital services to be borne entirely by taxation or similar form of provincial or municipal revenue." The strong demand you have, then, is from the municipalities where they have the

medical services socialized. Apparently there has not been a great increase in that in recent years.

HON. MR. DAVIS: No, but in recent years so far as public opinion is concerned there is an ever growing tendency towards the state intervention in the matter of medical services and hospitalization.

THE CHAIRMAN: You are speaking not of the actual practice, but of public opinion.

HON. MR. DAVIS: Yes, of actual practice. The 67 out of 102 may not indicate the correctness of that statement. As Mr. Grosch indicates, the municipalities have not had the money to hire the doctors, or there would have been a greater number of doctors operating in the province. I go on with the brief:

"This trend has been accentuated in the past few years on account of the increasing number of people whose capacity to pay for such services has disappeared.

To illustrate this trend further in cities and a number of representative towns, schedule (c) is included in Statement 1 showing a summary of expenditures in respect of certain specific social services. It illustrates forcibly the decided increase in costs of such services which must be borne by taxation of those still able to pay. Particular attention is directed to the cost of medical and dental services to indigents. This item in cities is fifteen times as large in 1936 as it was in 1927. On comparing the same two years, we find that it is ten times as large in towns."

Statement 1 is to be found on page 405, schedule E. Insofar as cities are concerned you will note a large increase in the deficit of municipal hospitals. The deficit jumped from \$138,359 in 1927 to \$209,320 in 1936. The cost in regard to medical and dental services

to indigents jumped from \$9,931 in 1927 to \$148,688 in 1936. The levy for T.B. Sanatoria is pretty well constant. The item in regard to care of aged and incurables is small. It is taken care of, no doubt, by the old age pensions. The item in regard to orphanages is small.

THE CHAIRMAN: Ten years may be sufficient to indicate a trend but it is hardly a sufficient length of time to get a general picture, is it, because in seven out of the ten years you have been passing through this severe depression.

HON. MR. DAVIS: Yes; but the depression, while it started in 1929 was not reflected so much until well into 1931.

COMMISSIONER ANGUS: Would these figures, therefore, not lie on the question of whether health insurance could definitely be a dominion service rather than a provincial service, or would it have to be provincial rather than dominion.

HON. DR. UHRICH: Well, that is pretty hard to answer. I do not like to commit myself on that but it shows after all that the increase in these various amounts is probably due to the fact that after all, a very large proportion of the province has been unable really to secure the services, and as the result of that the municipalities and the government had to supply the services to a large extent; whereas if the times were good and crops were good this particular increase would be much less. I believe I might say that that shows after all there is an increased demand by people that some form of government should take part in the payment of some of these medical services. I think that is plainly indicated by that item. I believe the real reason is as I have stated. The individual was not able to secure many of these things himself.

COMMISSIONER ANGUS: What I had in mind was whether the socialization of medicine by employing doctors by the municipalities was a sort of alternative to health insurance, and whether the growth of such a system would mean that it would be difficult afterwards to take over should other provinces wish to have health insurance as a dominion function.

HON. DR. UHRICH: Well, we believe, Mr. Commissioner, that as far as the province of Saskatchewan is concerned it has gone further along this line than any province in the dominion of Canada by inaugurating the municipal doctor system and giving the municipalities power under the act to get these services. It has been conceded generally, if I may say so, that a state medical service must be really a contributory service whether the government is called upon to pay a certain proportion of the total costs. The proportion may be 5/9, 2/9 and 2/9. It is generally conceded that is probably the correct proportion where state medicine is concerned. As far as public health is concerned the profits really are higher today than they would be were the province called upon to pay its proportion under a health insurance scheme of say, 2/9, because we are really paying \$2,500,000 for services. It is generally conceded that a health service system would have to be financed by the various bodies who form part of it. Under that scheme the province would pay less for these services than it is doing at the present time. That is due to the fact that the municipalities are in such bad shape at the present time. In the event of health services being put into effect it would be impossible for the municipalities to pay their share. I want to illustrate that in one way. As far as tuberculosis is concerned in the province of Saskatchewan it is absolutely a public service. A sufferer from tuberculosis does not pay

one single cent towards treatment. In 1929 an act was passed whereby our present system was set up. Under that act the province supplies all the sanatoria, equips them and pays \$1.00 per patient per day to the anti-tuberculosis league which operates these sanatoria. The rest of the daily expenditure, which is \$2.25 is made up by the various municipalities relative to their assessment. This has been a very great benefit to the province with magnificent results so far as mortality from the disease is concerned. We find at the present time, no doubt due to the drought conditions, that many municipalities owe the anti-tuberculosis league between \$600,000 and \$700,000. They have not been able to come through with their amount; whereas as far as the province is concerned, it has paid every year what it owes. You can see the impossibility of setting up a system of that kind if one part of the contract cannot be carried out. Our municipalities, as I say, at the present time cannot go through with their part of the contract. The sanatoria are very well administered; it is one of the best set-ups we have in the province at the present time. So I would say in answer to your question, Mr. Commissioner, that there is quite a large demand for state medicine at the present time. With conditions as they are at the present time I do not believe it is practical to bring it into the province, because our municipalities cannot shoulder there share.

THE CHAIRMAN: What becomes of the share of the municipalities that are not able to bear their share. I believe their share amounts to \$500,000 and \$600,000. How do they carry on the hospital without that revenue.

HON. DR. UHRICH: A few months ago the anti-tuberculosis league brought their complaint to the provincial treasurer. After all, they have only two sources of revenue. One

source is the government and the other source is the municipalities. A few of the municipalities could not go through with their contract. They owed the anti-tuberculosis league \$700,000. We could not let the work suffer. Naturally they came to the government. We have to make provision to see that they can continue.

HON. MR. DAVIS: We did provide them with funds to carry on.

HON. MR. PATTERSON: They have a line of credit at the bank, the security being the unpaid indebtedness owing to them by the municipalities.

HON. MR. DAVIS: I am now continuing with the second paragraph on page 52:

"Schedule (f) of Statement 1, shows the cost of education conducted by both primary and secondary schools throughout the province. The trend in expenditures for education also follows crop results in the west. The reduction, however, in this class of expenditure from 1930 to date has been tremendous and is accounted for by sharp reductions in teachers' salaries. Teachers' salaries were reduced from a total of eight million dollars in 1930 to slightly less than four million dollars in 1934. In addition to this drastic reduction of salaries, there have been substantial reductions in expenditures relating to the improvement of grounds and buildings. In this case again necessary repairs and the maintenance of grounds and buildings have been neglected and the assets permitted to deteriorate because of the lack of funds."

Page 405 shows the total cost of education in this province. In 1922 the cost of primary education and secondary education, exclusive of university was \$12,796,574. It jumped to a high of \$16,740,000 odd in 1930, and then dropped consistently to a low of \$7,805,000 odd

in 1934 and \$8,109,000 odd in 1936, or an actual cut of more than one half when you compare 1935 with 1930.

THE CHAIRMAN: Yes. It will be up this year by reason of the grant of the additional \$100. Can you tell me how much that will be in the aggregate.

HON. MR. DAVIS: The increased grant of \$100 per room only applies from the first day of July, 1937, to the end of this calendar year, and that in round figures will total about \$400,000, nearly \$1,000,000 for the full year. This is entirely a municipal expenditure and has nothing to do with the --- as Mr. Patterson was pointing out to me, these figures include the total expenditure by the school districts irrespective of where they got the money, whether by local taxation or government grants.

THE CHAIRMAN: I suppose the brief prepared by the school teachers' association will bring it out. I will assume from what you say that by far the greater part of this reduction has been the reduction in teachers' salaries.

HON. MR. DAVIS: You will see that if you look at the table by the fact that the reduction in teachers' salaries was very great. The expenditure in that connection was almost cut in half. In round figures there was a reduction from \$8,000,000 in 1930 to \$4,000,000 in 1934. So, of that reduction over one half came from the teachers' salaries.

THE CHAIRMAN: It is now one o'clock, but might I mention a matter before we adjourn. I do not know whether it will be possible to give us the information at the present time, or to send it along to us later. I notice in the classification of the municipalities you have divided it into classes. We have gone over that, but you have not distinguished between the municipality in the more or less continuous drought area from those that have not suffered in that way. They are all lumped together,

and we got a general average. I would assume there must be a very great difference in the condition between the municipalities where there have been more or less continuous drought in the last six or seven years and those where they have not suffered drought this year or have not suffered drought for a couple of years. I do not think you have any division along that line.

HON. MR. DAVIS: I presume, you are referring to the rural municipalities.

THE CHAIRMAN: Yes.

HON. MR. DAVIS: We filed a map this morning of the average production of wheat in each of the rural municipalities in the province in 1937, and I would judge it would be possible, if the department of agriculture have not already got that ready, to file similar figures in regard to production for each of the last five or six years, which would likely give you the information you desire.

THE CHAIRMAN: I am thinking of the financial position of the municipalities.

HON. MR. DAVIS: Mr. Jacobs can perhaps give it to you.

THE CHAIRMAN: Is it the case -- it may not be, -- I don't know -- that throughout this entire period there are some municipalities which have found it difficult to meet their taxes by reason of being in marginal or submarginal areas. That, of course, tends to influence the general average. I do not know whether we can choose a typical illustration of the municipalities of the three different classes: one where there have been normal conditions prevailing; one where you have marginal or sub-marginal conditions where there has been difficulty in meeting assessments and where there have been tax arrears continuously; and lastly those areas which have been wholly affected by drought as distinguished from marginal or sub-marginal lands.

MR. JACOBS: We can provide illustrations, perhaps, not many of each class.

THE CHAIRMAN: You might have a short statement prepared which could be furnished to us. We do not want to go into it in detail.

MR. JACOBS: Yes.

HON. MR. DAVIS: Mr. Jacobs will get that.

THE CHAIRMAN: Thank you. Then, we shall meet at 2.30. I am afraid, in view of the amount of work we shall have to try to sit tomorrow morning.

HON. MR. DAVIS: I think perhaps it will be better. There are a lot of things to go through yet, and the municipalities to be heard.

The Commission adjourned at 1. p.m.
until 2.30 p.m.

AFTERNOON SESSION

The Commission resumed at 2.30 p.m.

HON. MR. DAVIS: Before we proceed, Mr. Chairman, might I say a word or two about the length of time we are taking. You will note that we are only up to page 52 of the brief, and we have now had three sittings. The brief consists of 335 pages in all, and if we proceed at the present rate I quite realize that you may have the pleasure of spending Christmas in Regina. But there are certain sections that we can pass over more rapidly than this particular section dealing with Municipal Finance. This is a very, very, important section from the standpoint both of the government and of the municipalities, and I do not want to practice economy of time at the expense of this section. I was going to suggest that possibly I may be able to get down to the end of this section this afternoon and the municipalities might then be allowed to make their presentation to-morrow morning, and then we would have disposed of that part of the case, except taxation. When we come to Taxation, we can go through that much more rapidly than these other sections because a lot of it consists of a historical description of systems and methods of taxation and perhaps can be left to the Commission to be read over.

I will proceed now with the second last paragraph on page 52 of the brief:

"It is interesting to follow the course of the taxpayer's dollar which is entered in payment of the various services rendered by municipalities. Statement 3 displays this information over a period

"of years, by classes of municipalities. As certain expenditures are eliminated or reduced, a greater proportion of the taxpayer's dollar is paid towards those expenditures, which remain constant or increase. For example, in the year 1922, out of every one hundred dollars paid by the taxpayers of rural municipalities, \$6.70 went to pay for medical and hospital services whereas in 1935, out of each such amount paid, \$23.40 was required to provide this particular service. The same trend applies in urban municipalities in respect to this particular type of expenditures."

I do not think I need make any reference to that because it pretty well consolidates the thing.

"The second main division of expenditures consists of the construction or acquisition of certain properties from the proceeds of the sale of debentures. The amount expended in this manner by rural municipalities is insignificant as there has been a tendency in the past twenty years to depart from this form of financing and to provide for new construction from the proceeds of current tax collections. In urban municipalities expenditure financed by the sale of debentures has amounted to larger sums than in rurals, although there is also a tendency to provide for new construction from current taxation."

That was stressed this morning by Mr. Jacobs.

"Expenditure for construction from current taxation has increased the tax burden somewhat during certain periods but undoubtedly it has meant an ultimate saving to municipalities by avoiding debenture in-

"debtedness with its resulting increase in the burden of taxation on future taxpayers. In towns and cities there was a decided increase in debenture issues at the commencement of the period of depression, due to the fact that relief works were introduced to combat the unemployment situation. Table II shows the amounts expended by the cities and a number of representative towns together with the annual cost to be provided by taxation in the years following that in which the construction took place. It is estimated that the total expended for relief works in all urban municipalities in the three-year period centering on 1931 was upwards of six million dollars, with the municipalities contributing almost one-half of this amount. This contribution, particularly in cities, was financed by debenture issues with the result that annual charges for repayment, with interest, will amount to almost \$150,000.00 annually for periods ranging from 15 to 40 years with the average period about 25 years."

That has to do with any work-and-wages programme, to use a common term, in which municipal finance is involved, and indicates that while it might provide work it leaves as a result a heavy burden on the community. For instance, Table II shows the expenditures in cities where that policy was pursued for the years 1930, 1931, and 1932, and 1933, and you will notice that the share of the city in 1930 was a quarter of a million dollars; in 1931 it jumped to a little over one million dollars; in 1932 it was reduced to a little more than half a million dollars, and in 1933 it was \$137,000. An interesting item in Table II is the annual

charges to repay debentures, which become a charge upon the municipality. The same thing is shown for the towns, indicating that any programme of public works in which the finances of the municipality are involved leaves behind it an impossible burden of debt.

THE CHAIRMAN: How is it that the annual charge for interest in 1933 is so much lower than for the previous years? I assume that these debentures were issued for a period of years, not for one year only.

HON. MR. DAVIS: The amount of \$10,262 would be applicable to the \$137,000 only.

MR. JACOBS: These amounts are not cumulative. These are annual charges for the debentures issued in that year.

HON. MR. DAVIS: To make them cumulative brings them up to \$150,000.

MR. JACOBS: They have to include in the payments for that year the interest charges for debentures issued at an earlier date.

HON. MR. DAVIS: The whole thing accumulates as we go on. Then I quote from page 54:

"Statement 4 shows the amount of debentures issued by the various municipalities and local authorities during the period 1919 to 1936. It is significant that during the period of good crops the amount of debentures issued by cities and towns and also by school districts was relatively high. The commencement of the period of drought could not have been regarded then as serious since debentures issued by the municipalities and other local authorities increased substantially in the year 1929 and again in the year
(1428 follows)

"1930. Thereafter the amounts issued show a decline except in the years 1933, when cities show a substantial amount issued mostly for relief works, and 1936, due to the issue of debentures to finance a portion of direct relief advances."

I would think that in 1930, 1931, 1932, and 1933, that was due to the policy of the Dominion government, which provided funds jointly with the province and municipalities to carry on municipal works. That policy ended in 1933:

"The most significant fact disclosed by Statement 4 is the comparatively high rates of interest paid by municipalities and local authorities in this province in respect of long term debts. This average high rate of the cost of financing prevailed throughout all municipalities and local authorities from 1919 to 1922, showed a slight decline in the succeeding few years, with a definite upward trend since the commencement of the period of depression. The lowest interest rates were in effect in 1929 and 1928 during a period when credit was easy to obtain. On the whole it may be stated that municipal institutions in the west have paid a higher rate of interest than that paid by industrial corporations where the right of a creditor to recover may not be as secure. In the case of municipal institutions default in payment of debentures has usually given to the bondholder the right to obtain judgment with the resulting imposition of a special tax rate to realize the amount of the judgment. In the case of industrial corporations the bondholder can only realize upon the existing assets of the corporation, and it is felt that the added

"security that attaches to debentures issued by municipal institutions should have been reflected in substantially lower interest rates."

Statement 4 is to be found on page 408, and it is very interesting. It shows that city debentures in 1919 carried an average rate of interest of 6.17 per cent; in 1920, 6.70 per cent; and 1921 7.10 per cent--over seven per cent interest; in 1922, 6.50 per cent, and so on. The statement indicates that the lowest rates were in 1928 and 1929, 4.70 and 5.40 per cent respectively. When credit was easiest, interest was lowest. Since 1929 interest has gradually been mounting to 6.40 per cent in 1936.

THE CHAIRMAN: I suppose that not a great many of debentures have been issued this last year or two?

HON. MR. DAVIS: Practically nothing at all by any municipality, except debentures for relief purposes to take care of the 20 per cent and other relief charges.

THE CHAIRMAN: I suppose the fact is, Mr. Davis, that the rate of interest depends upon the creditors' estimate of the value of the security.

HON. MR. DAVIS: I presume that in the rate the creditors have a certain amount of insurance against risk.

THE CHAIRMAN: Yes, and if these rates are higher than those corporation bonds, I assume that for some reason the purchasers must have thought, rightly or wrongly, that there was a greater risk.

HON. MR. DAVIS: Rightly or wrongly. In actual practice I do not think there has been much greater risk. In fact, I doubt if there has been as much municipal default in Saskatchewan per capita as there has been in the province of Ontario in recent years.

THE CHAIRMAN: That is probably due to the control you exercise here over the borrowing powers. That no doubt may be a factor in it.

HON. MR. DAVIS: Yes, and it should have an effect on interest rates too, but it apparently has not. That is what we are contending right through, that we have been paying higher interest rates than were justified. I continue:

"The third main division of expenditures consists of those advances by municipalities to individual ratepayers for relief. These advances when originally made are presumed to be collectible although it is recognized that the possibility of collection of advances for medical aid, particularly in urban municipalities, is practically non-existent. In rural municipalities such advances were made not only to maintain human life but also to assist in continuing the business of farming. Advances made for the latter purpose have been repaid to some extent during the years of good crops but since 1930 the repayment of this class of expenditure has been negligible.

"In urban municipalities advances for direct relief are acknowledged to be uncollectible."

I think that applies largely throughout the entire province.

"Statement 5 contains a summary of advances made by rural municipalities for hospital aid, seed grain and relief necessary to provide food for human beings and feed and fodder for animals. This statement relates to the period from 1916 to 1930 during which time the crop conditions in the province were fairly good for the resources of

"farmers were not depleted as they now are.

It shows also the amounts collected by rural municipalities during each year on the advances so made, and it is a significant fact that during years of reasonable prosperity rural municipalities were able to collect only 22 per cent of advances made for hospital aid, less than 50 per cent of advances made for food and fodder relief and only 63 per cent of advances made for seed grain."

THE CHAIRMAN: To what do you attribute that, Mr. Davis?

HON. MR. DAVIS: I do not know. Do you know the reason for that, Mr. Jacobs?

MR. JACOBS: In the case of advances for medical aid, they are made to a class of persons, indigent persons, if you call them that, who do not pay them back.

HON. MR. DAVIS: What about seed?

MR. JACOBS: Food and fodder was advanced on so large a scale, particularly during the period of the bad years the farmers left the country to a large extent and as the farmers moved away the amounts became uncollectible.

HON. MR. DAVIS: I think there is better security for seed grain advances, because there is a lien on the year's crop and succeeding crops. I continue on page 56 :

"In the years following 1930 and down to the present time the task of furnishing farmers with seed and fodder has become more serious. The resources of municipalities were not sufficient to permit them to finance the demands made upon them, not only for seed grain and fodder but also for

"direct relief to sustain human life, with the result that the government was compelled to come to their assistance. In 1931 seed grain advances were financed for the most part by direct loans from the government and up to the time of the establishment of the Saskatchewan Relief Commission, relief in the form of feed and fodder, and food and clothing for human beings, was financed by government-guaranteed relief bank loans. The amount of advances made for the various purposes mentioned by the respective agencies referred to is contained in Table III. An attempt is also made to show the proportions of these advances that have been collected from the recipients in cash."

Table III on the next page shows that in 1930-31 there was advanced for seed grain \$410,000, and for relief \$2,800,000, and on the seed grain advances there was collected \$72,000 and on advances for relief \$446,000. In the period from 1931 to 1934, during which the Saskatchewan Relief Commission operated, under which Commission all relief was centralized, the total advances for relief were \$12,500,000, and there was collected back \$83,518. The balance was cancelled in the general cancellation. In 1932-33 and 1933-34 for direct relief, seed, feed, and so on total advances were made of \$21,500,000, and there was repaid in cash \$1,428,000. The balance is still due. In 1934-1937 period, there was advanced for direct relief, \$6,000,000 in 1934-35, \$3,500,000 in 1935-36, and \$7,500,000 in 1936-37. The amount collected in cash from these advances for direct relief is negligible, not sufficient

to warrant indicating it in the table. The advances for seed and feed in the 1934-37 period were \$9,300,000 in the 1934-35 season, \$315,000 for feed only in the 1935-36 season, and \$2,700,000 for feed only in the 1936-37 season. Then the Table gives advances through guaranteed bank loans for seed and summer-fallowing only, and the amounts show in the table.

THE CHAIRMAN: Was 1934-35 your worst season, or was it better than the present one?

HON. MR. DAVIS: The relief expenditures are given on page 29 and show \$20,000,000 for 1931-32 and \$21,000,000 for 1934-35. That was the largest year. I continue on page 55:

"An examination of statement 6 shows the progressively increasing advances required to sustain human life in urban municipalities. From a total that was insignificant in 1927 and 1928, direct relief in cities has increased to a tremendous extent. In the year 1936, the cities of the province advanced eighty-three times as much as they did in 1927., and towns advanced twenty-six times as much in the last year reported as in the year immediately preceding the period of drought."

That is to be found on page 410. I think the city picture is sufficient to indicate the problem, or perhaps you might take the position of the three cities shown on page 411. Take the City of Regina. The municipality's share of direct relief, and this was under the three-way plan referred to this morning, was in 1927 \$9,897; in 1936 it had risen to \$231,000; and in 1935 it was \$346,000. The next column shows

the relief administration expense all borne by the municipality. For Regina it cost in 1930 only \$1,400; in 1936 \$41,000. The total of the municipality's share jumped from \$9,800 in 1927 to \$273,000 in 1936, for Regina. The next column is an interesting one. In the city of Regina they paid the entire cost of relief from current revenues down to and including the year 1931, and then they had to start to finance by the issuing of debentures, which they were in turn obliged to sell to their sinking fund, as they had no other purchaser for them. Regina in 1932 issued debentures to the amount of \$130,000; 1933, \$250,000; 1934, \$300,000; 1935 \$340,000 and in 1936, \$200,000, and I presume the year 1937 will be worse than ever. That is, they had to finance \$1,250,000 for their share of relief by borrowing from their sinking fund.

The next column indicates the amount they have been able to absorb from current levy. The next column shows the recurring liability, the amount they have to levy annually to take care of relief debentures which they have issued. In the year 1936 Regina was forced to levy \$94,000 to meet debentures issued to cover part of the relief costs in the years that preceded. As to Regina, they also have had to finance in the last four years 1933, 1934, 1935, and 1936, and I presume they financed the majority of their relief expenditures by borrowing from their sinking fund. We are going to refer to the impossibility of that situation in a moment.

Now I turn to the bottom of page 56 of the brief:

"One of the factors making financing of relief advances an acute problem in urban municipalities is the cost of administration and this cost, as will be noted by reference to Statement 6,

"has mounted steadily, almost in the same ratio that relief advances have increased. It will be noted, for example in cities, that relief administration costs in the years 1935 and 1936 reached a total over three times as great as the total relief advanced to needy persons in 1927. Relief administration costs of 1935 and 1936 equal on the average 4 per cent of the general levy imposed for purely municipal purposes, equal to almost one mill on the assessment."

THE CHAIRMAN: Why do you use the year 1927 for purposes of reference?

MR. JACOBS: We took a ten-year period, and that was the first year.

HON. MR. DAVIS: This is an important paragraph on the top of page 57:

"Late in the year 1935 the government assumed 80 per cent of direct relief advances, whereas previously it had borne only two-thirds of the load."

That is 66 2/3 per cent of the load:

"But because of the fact that relief advances have continued to increase and more largely due to the fact that the financing of the cities' share of direct relief has required the issue of debentures, the actual net cost to the cities in 1936, which includes repayment of relief debentures, was in excess of the total net cost borne by taxation in 1935. In towns where the issue of relief debentures to finance their share of relief has not as yet been resorted to, the total cost in 1936 was almost as large as in

"1935 due to the rapid increase in the volume of direct relief advances during the last three years." That is, when they started to fund it, that would increase their contribution from two-thirds to 80 per cent. They still have to bear more than they did when they were paying out 33 1/3 instead of 20 per cent.

"The issue of debentures to finance their portion of direct relief advances has not solved taxation problems for the cities." That sentence contains a large part of the meat of this whole section.

"It may be argued that cities should not have deferred absorption of the burden of relief by capitalizing a portion of their share each year, but should have increased the general tax rate sufficiently to take care of their proportion of relief advanced. It must, however, be borne in mind that most cities at the present time are obliged to impose a mill rate in the neighborhood of 50 mills. It has been suggested by authorities on municipal finance that a tax rate in excess of 50 mills can have only one result, and that is confiscation of real property. If the cities had refrained from issuing debentures for relief purposes, their proportion of relief advanced, including relief administration expense, in the years 1934 and 1935, would have necessitated an increase in their general tax rates to well above that figure."

So, in order to avoid confiscation, they attempted to spread the burden over a term of years by selling to the sinking fund, but that, with a continuation of drought, is bringing them to an utterly impossible situation

financially.

"It may be granted that payment by the cities of their share of relief from current taxes would have been unwise, but the capitalizing of mounting relief costs is not a solution. Through the pyramiding of relief debentures there is an ever increasing charge annually to taxation because of the necessity to repay such debentures with interest. It is this accumulating cost made up of annual charges on relief debentures that has maintained or increased the burden borne by the taxpayers of cities. In the year 1936 the cities' proportion of direct relief was slightly in excess of one-half million dollars as against eight hundred and thirty-five thousand in 1935. In spite of this apparent reduction in the burden placed upon cities, actually the total borne by taxation in 1936 was greater than the total in 1935 due to the accumulating cost of annual charges on relief debentures."

That again indicates the impossible situation that comes from the following of that policy, and that is the only policy they can pursue in the urban centres of this province.

"The increasing burden of relief costs on cities is forcibly indicated by the figures in Statement 6, showing the total annual cost to the cities to be met by tax levies. This cost is made up of the proportion of relief not capitalized plus the annual charges to repay relief debentures.

We have had that statement already.

"During the last five years the total annual cost to the cities has resulted in the following average tax rates:

1932--2.8 mills	1935--3 mills
1933--2.2 mills	1936--4 mills
1934--3.2 mills	

That is the mill rate for relief.

THE CHAIRMAN: Purely for relief?

HON. MR. DAVIS: Purely for relief.

"The amount required to be provided for each year to repay relief debentures required the following tax rates:

1933--.5 mills	1935--1 mill
1934-- 1 mill	1936--2 mills

So of the 1936 levy, 2 mills would be for relief proper, and 2 mills to take care of the debentures they had sold before.

"The foregoing rates are based upon total assessments and are the minimum rates assuming collections of 100 per cent. A considerable portion of the assessment of property in urbans is non-productive so that tax rates imposed for any specific purpose must be increased substantially in certain cases to insure that sufficient collections will ultimately be made to pay for the service.

The issue of relief debentures gave the taxpayers in cities relief for one year only. This was due to the fact that annual charges to repay relief debentures continue to increase since the necessity to capitalize the cities' portion of relief continues year after year. Even if direct relief advances were to cease entirely after the present year, several cities in this

"province will be required to raise annually a sum equal on the average to at least two mills for the next eighteen years to repay the direct relief debentures issued to date.

With the necessity of keeping the general municipal tax rate to as low a figure as possible in order to refrain from unduly burdening the taxpayers, and with the resulting continuation of the policy of capitalizing direct relief costs by the issue of debentures, annual charges to repay such debentures are increasing at such a rate that they exceed the proportion of relief not capitalized annually. To illustrate this trend the following table is presented which relates to direct relief financing in the three largest cities in the province."

The Table shows the proportion of relief not capitalized; that is, paid from current levies; and for Moosejaw in 1934 it was 1.12 mills. To meet their annual debenture charges in that year required .54 mills. In 1936 the proportion of relief not capitalized, for Moosejaw, was \$15,942, or 1 mill, and the annual debenture charges to meet what they had capitalized before required 3mills, or three times the amount they paid from current account.

Regina in the last year, 1936, paid from current account \$73,000 or 1.75 mills on the tax levy, and Regina had to pay in annual debenture charges, on debentures issued in respect of relief \$94,290, or 2.25 mills.

Saskatoon, in 1936, was \$51,000, or 1.15 mills, whereas they had to pay in that same year for previous debentures for relief purposes 2.5 mills. I continue at the bottom of page 58:

"It will be noted in the foregoing statement that the annual charges to repay relief debentures exceed the relief not capitalized in both 1935 and 1936 with the City of Mosse Jaw heading the list in 1936 by having an amount required to meet debentures charges which is three and a half times as much as the proportion of the city's share of relief not capitalized.

To illustrate more forcibly the same trend that has taken place in urban municipalities generally, statement 7, Appendix B, gives a summary of the cities' share of direct relief costs in the case of the three largest cities and the manner in which this cost has been met by taxation and by the issue of relief debentures."

We saw that on page 411.

" To fully appreciate the immense burden under which cities are struggling in attempting to meet the costs of direct relief it may be pointed out that on the average the proportion of the general tax levy required to meet relief costs chargeable to taxation amounts to 17.3 per cent for cities in 1936 and 15.57 per cent for towns in the same year. This annual charge making up the percentages of the general tax levy mentioned consists of the part of the cities' portion of direct relief not capitalized and the charges required to repay relief debentures with interest. Reference to statement 6 will show that the proportion of the general tax levy required has gradually increased from 1931 to the present year."

Then Table IV indicates the proportion of the tax levy

required in the years mentioned to provide for direct relief costs, not capitalized, and debenture charges on relief debentures. It shows in the case of Estevan 6.5 per cent in 1932, and that jumped to 16 per cent in 1936; Melville was 18 per cent in 1932, and 36 per cent in 1936; Moose Jaw was 8 per cent in 1932, and 16.1 per cent in 1936; North Battleford 18 per cent in 1932, and 23.8 per cent in 1936; Regina 5.3 per cent in 1932, jumping to 15 per cent in 1936; Swift Current was 27.5 per cent in 1932, and 37.5 per cent in 1936. This shows that the burden thus put upon the cities leaves them in an utterly impossible financial position, and they cannot go on very much longer.

THE CHAIRMAN: Swift Current seems to have been very much worse hit than Regina.

HON. MR. DAVIS: They have been hard hit. They could not capitalize there; they had no sinking fund. They are in the hands of a committee which has been operating for some time on behalf of the bondholders.

THE CHAIRMAN: Is this a general practice for municipalities to buy their own debentures for sinking fund?

HON. MR. DAVIS: No, it is not.

THE CHAIRMAN: It destroys the value of the sinking fund.

HON. MR. DAVIS: A person who holds the debenture of a city like Regina gets his annual interest rate, and then there is a payment made into sinking fund which actually belongs to him. The holder of the debenture has been receiving interest on the debenture, but it is at the expense of the capital investment. It would be better for them to take a loss in interest than

to impair the value of the security.

MR. GROSCH: It has always been the practice to require trustees to diversify their investments. Before this thing started, none of our cities had more than 15 or 20 per cent of their own debentures in the fund, but this thing came on, and there was no other place to get the money. It was not a matter of choice at all. They could not sell them on the market. There was no place to go but here. The debenture holder may not realize it, but he is paying for relief through these debentures, and if it continues for a while there will be nothing but relief debentures, because you must sell your good debentures to get the cash to buy these.

HON. MR. DAVIS: It is a serious situation for these cities, and then they have to make an annual levy in order to meet the interest on these debentures. I continue with page 69 of the brief;

"The number of persons on relief together with the percentage of the total population on relief is also set out in Statement 6. It will be noted that the average percentage for all urbans has steadily increased until in 1936 almost one-fifth of the entire population was on relief."

That is shown on page 410. Under Cities is shown the percentage of population on relief, and the number of employable persons and unemployable persons on relief. Where did you get those figures, Mr. Jacobs, of employables and unemployables?

MR. JACOBS: From returns received from the cities.

THE CHAIRMAN: The percentage of population on

relief is shown in the last line.

HON. MR. DAVIS: Yes. It was 13 per cent in 1931--that is the average for all our cities--and it jumped to 1911 per cent in 1936.

COMMISSIONER ANGUS: Does that include people on partial relief?

HON. MR. DAVIS: They are receiving some measure of relief. I do not presume they receive full relief. The Mayor of Regina just draws my attention to the last paragraph on page 59 of the brief which reads:

"This table presents in a striking manner the result in those towns and cities that are unable to capitalize relief costs. They have no sinking funds or trust funds to which they can sell their own relief debentures; nor is it possible to dispose of such debentures on the open market as the investing public is not attracted. In a few instances debentures have been sold, but only at an exorbitant rate of interest. The municipality is therefore compelled to absorb its entire share of relief in the year's tax levy and the levy is increased to such an extent that up to 50 per cent is required for relief alone." That is, in those municipalities where they have no sinking fund ^{from} to borrow money/to take care of relief they have to increase their levy to such an extent that 50 per cent is required for relief alone. The mill rate is so boosted up that it means real estate is actually confiscated.

THE CHAIRMAN: What is the basis of assessment in this province?

MR. SMITH: One hundred per cent of the value of real property, and a maximum of sixty per cent of the

value of improvements.

THE CHAIRMAN: One hundred per cent of the value of real property and sixty per cent of improvements?

MR. SMITH: It varies with different cities. One may be thirty per cent, but the maximum is sixty per cent of improvements.

THE CHAIRMAN: May a city determine the percentage by by-law, or is it statutory?

MR. SMITH: It is a maximum of 60 per cent. The city may determine the rate up to 60 per cent.

HON. MR. DAVIS: But it cannot go beyond that, and it varies in different cities.

THE CHAIRMAN: What is the actual practice? In some cases the practice is that the assessment, while theoretically the actual value of the land, in times of prosperity is below its value, and in times of depression it may be above the value. What is the situation here?

MR. SMITH: In this province the assessment would be considerably above the actual value.

THE CHAIRMAN. At the present time?

MR. SMITH: Yes, considerably above the actual value.

THE CHAIRMAN: You could not sell property in the city of Regina for its assessed value?

MR. SMITH: No, considerably less. The actual selling price would be considerably less than the assessment.

THE CHAIRMAN: So that I do not misunderstand, in Regina is it 60 per cent--

MR. SMITH: Thirty per cent in Regina for improvements.

(Page 1450 follows)

THE CHAIRMAN: Take the assessed value on property in Regina where the land was assessed at 100 per cent and the buildings at 30. You do not mean that you could not sell it for less than assessed value.

HON. MR. DAVIS: I doubt if you could get the assessed value for it. Perhaps Mayor Ellison would give us the benefit of his experience.

MAYOR ELLISON(Regina): As I happen to be on the Assessment Board, as well as being Mayor of the City of Regina, I may explain that after the depression was under way the Assessment Board ceased to alter its assessments except where there was no equity. In other words, we kept the old assessments and made alterations only where this was necessary in consequence of changed conditions that made values inequitable. Actually, to-day, assessed value has no relation to saleable values. In determining equity, I think we can consider revenue producing possibilities as well as anything else.

MR. GROSCH: I would refer you, Mr. Chairman, to the section of the City Act which sets out the basis of the right to appeal from the assessment values that are determined upon. A reading of that section will show you what a serious position the Assessment Appeal Boards were in. The fact is that assessed values no longer bear any relation to saleable values. A reading of the section would be instructive.

THE CHAIRMAN: The situation is not so extreme, but the same thing applies in principle to cities in the east.

HON. MR. DAVIS: Yes.

THE CHAIRMAN: They have declined to reduce assessments on the ground that the assessment of the particular property is fair having regard to other

properties in the immediate vicinity.

MR. GROSCH: That qualification, "in the immediate vicinity" has now been changed; now it reads "within the municipality".

HON. MR. DAVIS: And now, my lord, I will return to page 60. In the middle of the paragraph at the top of the page there is this sentence:

" In the three largest cities the proportion of the population on relief has remained fairly constant in the years 1933 to 1936. Moose Jaw reports 22 per cent of its population on relief in the four years mentioned, Regina shows 18 per cent in 1933 gradually rising to 20 per cent in 1936, North Battleford shows an increase from 20 per cent in 1934 to 30 per cent in 1936 and Swift Current shows a similar increase from 25 per cent in 1933 to over 29 per cent of its population in 1936.

REVENUES OF MUNICIPALITIES.

Revenues of municipalities in Saskatchewan are derived principally from tax levies. The proportion of the total revenue derived from taxation is as follows:

Rurals	90	per	cent
Towns.....	80	"	"
Villages.....	85	"	"
Cities.....	60	"	"

There is a wider base of taxation in the cities.

" In rural municipalities the relatively small proportion of income other than from taxation is derived from such sundry sources as commissions on collections of trust taxes, penalties on tax sales, rentals, etc. In urban municipalities the sources

" of revenue other than taxation are more numerous and increase in volume as the class of urban municipality progresses from villages to towns and from town to city. In cities the greater proportion of revenue other than taxation is derived from profits on utilities licenses and amusement taxes, surpluses on sinking funds and trust funds, as well as sundry rentals and sales of properties.

Since the greater proportion of revenue in municipalities is derived from taxation, a study of the various taxes imposed and the disposition of such taxes through collection, cancellation or confiscation of property is necessary.

Statement 8, Appendix B, contains a summary of taxes imposed for various purposes in rural municipalities, villages and towns, during the period 1912 to 1935. It also contains a summary of taxes imposed for various purposes by cities during the period 1921 to 1935. The taxes so imposed consist of all taxes on taxable assessment of either property, business or income in the years when incomes were assessed by municipalities. These taxes were imposed for municipal and provincial purposes and for such other services as local improvements and hail insurance."

This table will be found at page 412, starting with rural municipalities. From this table it will be seen that general municipal taxes, including Union hospital taxes amounted in 1912 to \$2,254,158, and that went up to a high, in 1930, of \$6,554,824. In 1935 it was \$4,215,157.

THE CHAIRMAN: That is for rural?

HON. MR. DAVIS: Yes, for general municipal taxes. The next item given in the table is school taxes.

In 1912, giving round figures, the amount was \$1,500,000, and that had reached a high in 1929 of \$7,500,000 odd. That was the highest year.

THE CHAIRMAN: What is it now?

HON. MR. DAVIS: In 1935 it had been reduced to \$3,820,806, and the reduction is represented largely by the contraction in teachers salaries -- the \$4,000,000 referred to this morning. For the smaller the salary paid the less the school levy is; and that benefit to real property has accrued at the expense of the teachers.

THE CHAIRMAN: What is this patriotic and public revenue tax?

HON. MR. DAVIS: That is a provincial tax. There is only one tax imposed by the province on land. The taxation of land is left exclusively to the local authorities, except for this one tax for public revenue, which is two mills on the dollar. And that tax realized, in the years enumerated, the sums that are indicated in the table which we are looking at now. In 1935 the amount was \$1,766,683.

THE CHAIRMAN: Is that two mills on the dollar of assessed value?

HON. MR. DAVIS: The assessed value.

THE CHAIRMAN: What about improvements?

HON. MR. DAVIS: There is no levy on improvements in the rural districts, either by the local authority or by the government, except in hamlets which are unincorporated villages .

THE CHAIRMAN: It is a land tax pure and simple?

HON. MR. DAVIS: Yes. There was also what was known as the Wild Land tax imposed by the province for the

purpose of forcing owners of wild land to dispose of it rather than to hold it with a view to earning an increment as the result of the activities of others. The province has abandoned that tax. It was repealed, the last charge having been made in the year 1935.

COMMISSIONER Mac KAY: Why was it repealed? Was it intended to leave that field to the municipalities?

HON. MR. DAVIS: Yes. We gave them the right to impose that tax, but very few have availed themselves of the opportunity.

THE CHAIRMAN: Is the drainage tax general throughout the province?

HON. MR. DAVIS: Drainage districts were constituted in some sections where drainage had to be carried on, and that was financed by the issue of drainage bonds which were sold to the general public and guaranteed by the government, the money being levied against the lands for a period of/ ^{years.} That would be the amount levied in certain municipalities to repay the drainage debentures.

THE CHAIRMAN: How has the telephone tax worked out? What is the basis of it.

HON. MR. PATTERSON: When a rural telephone company is incorporated, the lands adjacent to the line are liable for assessment for the capital cost of the company; but there is a distinction between the particular quarter sections on which the telephone is actually installed and others where there is no installation. Naturally, there is a higher tax. While it is called a rural telephone company, in effect it is really a rural telephone district. There is a quarter section on each side. The debentures were issued for the capital cost of the line over a period of fifteen years, to be repaid by

a levy on the lands, the levies being determined by the question whether there is a telephone actually installed in a quarter section within the rural telephone district. Any quarter section within a rural telephone district so taxed by the rural telephone company is entitled to service from the company at any time.

THE CHAIRMAN: Without cost?

HON. MR. PATTERSON: Cost for the maintenance and operation of the line, for which each telephone user is charged the amount fixed by the company in accordance with their business management. An amount is charged to take care of the expenditure, but that is not involved in taxation. Taxes are only for original construction costs, and we have now provision for a very small tax to be added in order to provide a fund for renewal and replacement. But maintenance costs are paid by individual subscribers direct to the secretary of the company.

THE CHAIRMAN: I notice in the table on page 412 figures under the heading, "Hail tax". Is that general hail insurance for all land?

HON. MR. PATTERSON: Hail insurance comes under a municipal organization and any municipality may vote itself in or out of the association. There are 159 municipalities in the association and the tax is imposed only in those municipalities that have become members. It is not province-wide.

THE CHAIRMAN: It may be adopted by the council of any municipality if it so desires?

HON. MR. PATTERSON: By vote of the ratepayers, and they can vote themselves out if they wish. It is a sort of double tax; there is a flat tax and, so to speak, a surtax on the seeded acreage. There is a general

tax over the municipality which provides the basis, and on top of that there is imposed this extra tax.

THE CHAIRMAN: Does it work satisfactorily?

HON. MR. PATTERSON: It works very well, except for such difficulties as present themselves to any association or organization which is dependent upon tax collections -- entirely dependent upon such collections-- in this province at the present time. This association encountered difficulties in the earlier years, but these were rectified, so that during the good years they built up substantial surpluses which have carried them over the difficult period.

THE CHAIRMAN: They were wiser than some of the other governmental units.

HON. MR. PATTERSON: Apparently.

COMMISSIONER MacKAY: What is the relation of the rural telephone companies to the provincial telephone system?

HON. MR. PATTERSON: The provincial telephone system acts as a sort of godfather. In the first place, a group of farmers in a locality want to organize a company, we will say. They organize a little company and are given assistance by the Department. They are supplied with forms and are given information and instructions, and they submit their proposed system indicating the locality they propose to serve. They submit their plans to the Department and the Department then prepares specifications indicating the type of line to be built and matters of that sort. When the company is established, in most cases -- not in every case -- its central is at some point where the Department has a local exchange. The government system owns the long distance lines. Coming into Regina there are ten or

twelve different companies radiating in different directions. When they reach the city limits -- I do not mean the geographical but the telephone limits of the city, that is to say, to the point where the government system extends -- they join with ours and are served through our equipment. They connect up with our subscribers and pay an annual charge for that connection, depending on the size and nature of the service given.

MR. ST. LAURENT: With reference to the two mills of the provincial levy, which yielded in 1937 one and three quarter million dollars ---

HON. MR. DAVIS: That is the amount levied.

MR. ST. LAURENT: The municipal tax would be about five mills?

HON. MR. DAVIS: Yes.

MR. ST. LAURENT: And the school tax about four mills?

HON. MR. DAVIS: Yes.

MR. ST. LAURENT: It is about 11 mills throughout, with some extra taxes in localities that have extra service.

HON. MR. DAVIS: Yes. That public revenue tax was reduced to a mill and a half in 1926. The government of the day decided to get out of that tax and as a first step reduced it half a mill in 1926, and that continued until 1931 when it reverted to the former rate of two mills.

MR. ST.LAURENT: At page 139 there is a table showing the average value of farm property per farm and per acre in Saskatchewan, 1901-1906. How would that compare with the assessed value?

HON. MR. DAVIS: There is an equalized assessment in the province; we have an Assessment Commission.

MR. ST.LAURENT: For 1936 the value given in table 6 for farm land is \$10.82 per acre.

HON. MR. DAVIS: There is a table showing the total value amounting to a billion dollars odd. The total taxable assessment of lands will be found at page 140. In table 7 we have given the value of farm property in Saskatchewan 1901-1936, and that table shows the number of farms, the total value and the various percentages in connection with land, buildings, machinery and live stock. The total value is \$1,023,200,000. That was for the year 1936. That is a little higher than the assessed value.

MR. ST.LAURENT: So that for the average farm \$10 would be approximately the assessed value of the land.

MR. JACOBS: No; the average would be between \$15 and \$16 .

THE CHAIRMAN: Fifteen or \$16, taking 160 acres, would represent \$2,400 or thereabouts.

HON. MR. DAVIS: About \$2,500.

THE CHAIRMAN: And what tax would the average farmer pay?

MR. JACOBS: I made an estimate of the average tax on a quarter section. In the year 1936 it amounted to \$27.40 for the three purposes indicated -- general municipal purposes, school, and public revenue; and

in addition to that we have local improvement or hail tax and the telephone, which would bring it up to approximately \$30 per quarter section.

THE CHAIRMAN: And that, you say, was in 1936?

MR. JACOBS: Yes.

THE CHAIRMAN: Hail and telephone must represent a substantial proportion of the tax.

MR. JACOBS: They average around \$12 or \$15 a quarter section and higher in some places.

HON. MR. DAVIS: On page 413 there is a summary of municipal tax levies in respect of villages and towns, and an interesting item in that table is the school tax. The high was \$906,073 in 1930 and that had dropped to \$539,656 in 1935.

THE CHAIRMAN: That is as regards the villages?

HON. MR. DAVIS: Yes. And in the case of the towns the high was \$1,000,000 odd in 1921, which had dropped to half a million odd in 1935. That drop in school taxes, and therefore in salaries, in the smaller urban centres and cities, has not been nearly as great as in the rurals, indicating that the rural teacher has had to take a greater reduction in salary than the teacher in the urban centres. The figures for the cities are given on page 414, and that summary is of interest. It shows that in 1931 there was a high of \$2,772,370, which had dropped to \$2,453,279 in 1935. Approximately \$200,000 is the reduction in school levies in the cities. In the cities they could not make the reductions that they have done in the rural parts; the cities have been obliged to maintain the tax rate.

I believe we were at page 60:

" Statement 8 indicates the trend in tax levies, which increased progressively during the years of

"expansion from 1912 to 1928. During this period there was a steady growth in the number and extent of services rendered to ratepayers. A great deal of new construction of roads, streets and other means of communication was undertaken by all municipalities, particularly the rurals. The number of school districts increased as well as the replacement of temporary school buildings by other buildings of more permanent construction. Since 1929, however, there has been a decided effort on the part of the municipalities to lighten the burden of taxation by dispensing with those services which could be deferred as well as others which, although needed in many cases, could not be maintained.

Statement 9 is submitted to show the unit burden of taxation on ratepayers of the four classes of municipalities. This statement is in comparative form, commencing with the year 1922 and continuing to the year 1935. It illustrates the reduction in the burden of taxation particularly in rural municipalities, which corresponds with the years of poor crops when it was necessary to reduce services to the minimum in order that an attempt might be made to control the too rapid accumulation of uncollected taxes."

The details will be found at page 415. That shows the average per capita tax over a period of years from 1922 to 1935.

THE CHAIRMAN: There has not been much change.

HON. MR. DAVIS: No. Take the last year, 1935, and compare it with 1922. The per capita municipal tax in 1922 was \$40.72 and in 1935 it was \$18.85. In the case of villages it was \$23.01 in 1923 and in 1935 \$16.75.

THE CHAIRMAN: In the case of rural municipalities, the total per capita tax in 1922 was \$40.72.

HON. MR. DAVIS: Yes.

THE CHAIRMAN: And in 1935 it was \$18.85.

HON. MR. DAVIS: Yes.

THE CHAIRMAN: It has been more than cut in two.

HON. MR. DAVIS: Yes, and you can see the reason for that. In the first column under the heading "General Municipal Taxes", the figure for rural municipalities in 1922 was \$11.27 and it was reduced to \$6.56 in 1935.

THE CHAIRMAN: Of course, these are averages?

HON. MR. DAVIS: Yes.

THE CHAIRMAN: That is the difficulty. Where you have such a large area that is dried out, where they cannot raise anything, the value of averages is entirely destroyed.

HON. MR. DAVIS: That is very true.

" In urban municipalities there has been a tendency in the past two years for the tax burden to rise in spite of all economies contemplated by the councils of such municipalities. The cost of direct relief added to the necessity of maintaining the essential services prevented a downward revision of tax levies.

The following proportions of taxes are imposed upon real property:--Rural Municipalities, 99 per cent; villages, 73 per cent; towns, 80 per cent; cities, 90 per cent. One must, however, remember that apart from properties used as dwellings, the taxes imposed both on real property and business assessment must come from the incomes derived from the businesses conducted. In the municipalities in this province where buildings are used for business purposes, there is

"a property tax on the land and buildings and also a business tax on an assessment fixed by the council subject to a statutory maximum. If in such cases one should combine the property and business taxes as an entire burden to be met from the income derived from the business, it would result in an exceedingly high mill rate of taxation on real property."

THE CHAIRMAN: Of course, they are not combined, at any rate as far as I know. They are not combined anywhere.

HON. MR. DAVIS: No, that is true.

THE CHAIRMAN: They are distinct taxes.

HON. MR. DAVIS: The business tax is not charged on land, but the argument is that ultimately it comes out of the land.

THE CHAIRMAN: Yes; but where one man owns the land and another rents the premises to carry on business the land owner may or may not pay the tax depending upon the lease; the lessee must pay the tax.

HON. MR. DAVIS: To continue:

" In addition to property taxes and taxes imposed for business purposes, local improvement taxes are also imposed in certain towns and cities to repay a proportion of the cost of local improvement works. If such taxes were also imposed by a mill rate on assessed valuations of property, it would further increase the total tax rate on the valuation of lands and buildings which is the largest base for the tax burden in municipalities of the province. To illustrate the foregoing remarks a few selected instances are given of various types of businesses in a number of towns and cities.

	Tax rate for property taxes	Total tax rate combin- ing property and frontage taxes	Total tax rate combin- ing prop- erty and business taxes
	Mills	Mills	Mills
Selection No.1			
Grocery Store	47	52	77
Department Store	47	51	86.5
Office Block	47	51	112
Selection No.2			
Private residence	45	57	--
Grocery Store	45	56	85
Warehouse	45	47	84
Factory	45	53	103
Selection No.3			
Grocery Store	44.5	44.8	73
Department Store	44.5	45.3	63.2
Warehouse	44.5	45.6	54.4
Factory	44.5	47.5	58.7
Selection No.4			
Grocery Store	48	51.5	81.5
Department Store	48	48.2	77.5
Office Block	48	48.3	79.3
Warehouse	48	--	96
Selection No.5			
Private Residence	45	54.6	--
Grocery Store	45	62	86.8
Department Store	45	46	65.8
Factory	45	59.6	73.8

(Cont'd)

Selection No.6

Private Residence	46.5	48.4	--
Grocery Store	46.5	47.5	74.6
Warehouse	46.5	48.4	64
Factory	46.5	55.5	87

In a number of urban municipalities it is contended that the burden of taxation is so high that incomes derived from rentals of properties are insufficient to meet all operating expenses, including taxes; or the balance of such income remaining after taxes are paid does not give a fair return on the capital invested. As an example, one town reports that an office block representing an investment of \$24,000.00 shows a net income of \$750.00 out of which taxes to the extent of \$655.00 have to be provided. A warehouse valued at \$7,000.00 reports a net income of \$360.00 out of which provision has to be made for taxes of \$217.00. Another town reports a grocery store representing an investment of \$7,000.00 with a net income from rentals of \$275.00, out of which a payment of \$200.00 is required for taxes. In another town, rentals from a private residence result in a loss of \$68.00 after payment of taxes, and net income from rentals of a corner grocery was \$72.00 before providing for taxes of \$76.00. A fourth town reports the following conditions:

	Investment	Net Income before payment of taxes	Total tax levy
Private Residence	\$ 5,000.00	\$ 350.00	\$ 184.00
Corner Grocery	12,000.00	600.00	442.00
Apartment Block	10,000.00	1,000.00	1,069.90
Office Block	8,000.00	750.00	551.50
Warehouse	7,500.00	350.00	498.90

" A city reports an office block representing an investment of \$80,000.00 with a net income from rentals of \$3,600.00 from which \$1,700.00 in taxes have to be provided. A second city reports that an apartment block after providing for all operating expenses including taxes, showed a net loss in income of \$1,495.00. An office block showed a similar net loss of \$3,824.00, and a warehouse, a corresponding loss of \$1,066.00"

THE CHAIRMAN: What is the remedy for that? That same situation exists in the east in the towns and cities. Apparently it exists all over Canada.

HON. MR. DAVIS: The only remedy that could be applied by the municipality would be to reduce the tax levy to a point where it would not be confiscatory, and then it would be up to the owner. He might lease it, but perhaps he might not be able to get the rental anyhow.

THE CHAIRMAN: Where is the income to come from?

HON. MR. DAVIS: If the present system continues it means higher taxation and more property will fall into the hands of the city, so that ultimately the urban centres will own all the property, and then I do not know where we shall be.

COMMISSIONER DAFOE: That is not an average condition. Some of these glaring instances result from the fact that a certain locality goes out of favour for business reasons.

HON. MR. DAVIS: Yes.

COMMISSIONER DAFOE: That is very true in Winnipeg.

MR. GROSCH: There was a time when that was the case, but to-day it has gone beyond that. A property owner looks at his investment and says, "Here are these

taxes for relief being piled on this property without establishing any corresponding asset. I see no way out and the best thing I can do is to get out from under my investment. " The result is that sacrifices are taking place all around, and that is increasing; the condition is getting worse from day to day. No one who gives wise consideration to investment will come and take property and we find therefore that properties are going into tax sale, title being acquired by cities, which again diminishes the base of assessment. To-day it is \$20,000,000, next year \$17,000,000, the next year \$15,000,000 and you keep shifting down and down, while the rate is so high that the whole structure becomes socialized and the municipality becomes the owner of all. How then will you carry on? We have discovered that sometimes, on the main street, a city has acquired title to property and then finds that it cannot provide heating facilities and upkeep out of what it gets in taxes. It has got hold of something it cannot let go and has to make provision for it out of the general revenue. Unless this situation is remedied I do not know where we shall find ourselves.

If the ratepayer could be given some hope, if he could see some opportunity ahead of him, he would redeem property from tax sale. We found that when the municipalities did make a readjustment, taxes which we thought were lost were brought in, and we put them in a trust account. They amounted to hundreds of thousands of dollars. If we relieve the ratepayer of the excessive burden under which he is now labouring and give him some hope we shall do something to remedy the situation.

THE CHAIRMAN: If the relief burden were removed, would the tax rate cease to be intolerable?

MR. GROSCH: That depends. I would say that it is the one factor that is bearing down most heavily upon us, and it is bearing down without creating any corresponding asset. If this money were going into water works we would charge for the use of the water and derive some revenue from it. But there is no revenue. It is a dead loss every time we spend another dollar.

HON. MR. DAVIS: I turn now to page 63:

" Practically all classes of municipalities have imposed a sufficiently high levy to provide for all proposed expenditures and in addition, a surplus on operations. Cities are perhaps an exception to this rule as occasionally deficits on one year's operations will take place which necessarily must be provided for in the succeeding year's taxation. In addition, in a considerable number of towns, a few villages and some of the cities, the tax levies imposed while apparently sufficiently high to provide for all proposed expenditures, actually fall short, because of the fact that a considerable proportion of the assessment of the particular municipality is not revenue producing. Then again, in rural municipalities, because of the policy of charging direct relief and agricultural aids advances to the accounts of recipients no effort has been made to include in tax levies any amount to take care of the losses that will inevitably result.

While considerable economies have been effected in municipal expenditures, and tax burdens have been reduced during the last few years, this has not assisted tax collections in the four classes of municipalities where

"crop failures have an immediate and pronounced effect. A history of tax collections is shown in Statement 10, covering the period from 1912 to 1935, except in cities where information is available since 1922 only. The amount realized in cash from both current and arrears of taxes each year is reduced in this statement to a percentage of the total arrears and current taxes collectible during the year. It will be noted that the highest percentage of taxes collected took place in the year 1928 and that following the year 1928 the percentage of taxes collected has steadily decreased. This statement also shows the accumulation of tax sale holdings represented by tax sale certificates which are still subject to redemption by the owners of the land, and tax title property which may no longer be redeemed by the owner but which the municipality may dispose of by sale. The amounts of uncollected taxes presented by tax sale holdings has increased steadily in all classes of municipalities, with the exception that in rural municipalities there has been some decrease in the last three years due to the fact that consolidation or adjustment of taxes under various plans has resulted in cancellation of the tax sale lien and a restoration of the amounts in tax sale to the tax rolls."

I would refer you to the table on page 416.

There are some astounding figures there. The first deals with rural municipalities, and you will note that the levy in each of the years progressively increases from \$7,000,000 odd in 1912 to \$43,000,000 odd in 1935.

THE CHAIRMAN: Looking at 1912, I see that only 50 per cent of the levy was collected. Why, was that?

HON. MR. DAVIS: That would be in the rural municipalities. I doubt if it would be truly representative of the condition, because the farmer often does not dispose of his wheat until the succeeding spring. He harvests his crop in the fall of 1937 and pays the taxes in the spring of 1938.

MR. GROSCH: The municipalities generally are slow.

HON. MR. DAVIS: I do not know why there is such a small percentage collected. Does that percentage indicate the percentage of tax levy made in the year, or does it include arrears? Can you tell us, Mr. Jacobs?

MR. JACOBS: That is the total collected, including arrears of taxes.

COMMISSIONER ANGUS: Does the first column include arrears?

MR. JACOBS: Yes, it shows the total to be collected.

MR. ST. LAURENT: You have a difference in arrears from year to year.

HON. MR. DAVIS: The total taxes to be collected are shown in the first column, which means that it includes arrears; and there has been an increase from \$7,000,000 in 1912 to \$43,000,000 in 1935.

COMMISSIONER MacKAY: In the column showing the percentage of total taxes realized in cash, the highest is 67.26. That is an extraordinarily small amount.

HON. MR. DAVIS: Yes.

MR. ST. LAURENT: If you look at the uncollected arrears at the end of each year you will find that there are a great many years in which they collected more than one year's taxes.

MR. JACOBS: Further on we will show you that

in the rural municipalities there have been three or four years in which more than one year's levy was collected. Look at page 420. On that page there is a table that shows the total levy in each year, and you will see that people were unable to pay, or at any rate did not pay more than one year's levy in a considerable number of years.

THE CHAIRMAN: It may be that the municipalities in the years when they might have collected did not press for the taxes -- in the good crop years.

MR. GROSCH: In the good years they did press for collections.

HON. MR. DAVIS: They did not press very hard, though. You will note on page 420 the second column gives the cash realized from taxes, tax sales and sales of tax title property. In 1922 they got \$2,000,000 more than they levied and in 1925 \$3,000,000.

THE CHAIRMAN: On page 420 you have total tax levies. Is that for each year?

MR. GROSCH: That is the tax imposed in each year.

THE CHAIRMAN: The big drop came in 1930?

MR. GROSCH : Yes.

COMMISSIONER MacKAY: From 1922 to 1928 inclusive, the collections appear to be higher than the levies.

MR. GROSCH: Yes.

HON. MR. DAVIS: On page 420 you will find the current levy and the total collected in each year.

THE CHAIRMAN: The rural municipalities appear to have done pretty nearly as well on the average as the others.

HON. MR. DAVIS: The brief continues:

"In Statement II an attempt is made to show a comparison of tax levies year by year and amounts realized in cash from the collection of taxes, redemption of tax sales or sales of tax title property. It is a significant fact that in rural municipalities in the twenty-four year period covered there are only nine years in which the amount collected exceeded the total imposed by way of tax levies. Of these nine years, seven follow each other in succession between 1922 and 1928, when a combination of high prices and better than average crops resulted in the only prolonged period of prosperity enjoyed by the west in the past quarter of a century.

In urban municipalities, the information presented by statement II is still more striking. At no time during the twenty-four years under review have towns collected more than they have levied in any one year. This is, no doubt, at least partially due to the fact that towns have assessed from year to year extensive unimproved subdivided property on the outskirts, the taxes upon which are not being paid by the owners. In villages only three out of twenty-four years show a larger amount of cash collected than taxes imposed, and in cities there are only two years since 1922 when the same results were obtained.

An ideal situation would exist if municipalities could collect the greater proportion of current tax levies in the year in which the levy is imposed. This is not likely to occur in rural municipalities because the income of farmers in the west varies considerably from year to year in line with returns from crops. In urban municipalities, however, one might assume that average incomes would be more stabilized permitting

ratepayers of such municipalities to pay their taxes in about the same proportion year after year. A survey of the cities of the province and a number of the larger towns indicates that this situation does not exist. Table V illustrates the wide fluctuation that may take place in collection of current levies in the year in which the taxes are imposed. It will be observed that in certain instances the highest percentage of taxes collected in the year in which they were levied may be 80 or 85 per cent, with the lowest percentages less than one-third or one-half of the total levy."

The following table shows a list of some of the larger towns and cities of the province and the years of highest percentage and the years of lowest percentage. Let us take the city of Regina as an example. In 1929 their total collection was 86 per cent of their current levy. That was their highest. In 1934 it was reduced to 57 per cent of the current levy.

THE CHAIRMAN: That is, paid during the year?

HON. MR. DAVIS: Made during the year in respect of the tax levy, and in the same year in which the collections were made.

THE CHAIRMAN: Then, I assume when they pay after that year they have to pay the usual interest and penalty.

MR. GROSS: Penalty added.

HON. MR. DAVIS: Penalty added. You can readily see here that the cities face a serious situation. Regina collected about half its current levy. Swift Current 61 per cent. Weyburn only 38 per cent.

I continue with the brief:

"From time to time a certain proportion of taxes levied are lost through discount for prompt payment, cancellation, rebate or compromise. Table VI shows the amount of taxes so lost during a twenty-four year period

by rural municipalities, villages and towns, and during a fourteen year period by cities. It will be observed that the amount so lost by rural municipalities and villages is equal to almost an average of one year's levy, whilst in towns and cities the amount lost exceeds the average of one year's levy, which to some extent is due to the fact that the larger urban municipalities suffer a greater loss in the disposal of lands to which title is acquired through tax sale or tax forfeiture proceedings.

Then there is a table headed "Taxes lost through discount, cancellation or sale of tax title property at less than book value." I shall read the table:

Rural Municipalities	1912-1935	\$12,693,060.00
Villages	1912-1935	887,188.00
Towns	1912-1935	3,042,959.00
Cities	1922-1935	4,485,675.00

4. Financial Position of Municipalities

"A comparative statement of the financial position of all municipalities in the province is contained in statement 12. This statement is arranged to show separately each class of municipality with the assets and liabilities of each class contained in classified groups!"

The schedule is shown on page 421, statement No. 12. It is a five year period, and the liabilities of rural municipalities are shown at the bottom of the sheet. Accounts payable jumping from \$302,419 in 1915 to \$3,844,243; due schools, telephone companies, etc., \$1,597,292 in 1916, \$10,776,290 in 1935. There is not much difference in bank overdrafts. They were \$103,360 in 1916 and \$169,327 in 1935. It is interesting to note the heavy decrease in bank loans from 1921 to 1935. In 1931 they were \$4,541,421 and in 1935 \$2,280,275. Bank overdrafts fell from \$722,770 to

\$169,327 in 1935. This was in the most difficult period in the history of the province.

THE CHAIRMAN: There is no decrease in general bank loans.

HON. MR. DAVIS: Yes; they fell from \$4,541,000 odd to \$2,288,000 odd. Apparently the banks are the only ones who got any money out of this.

COMMISSIONER ANGUS: The affect of that is they have been paying off the banks and piling up other taxes.

HON. MR. DAVIS: The banks have the first charge on the taxes. Then we have relief bank loans, and loans from government, which is a new item. Then we have loans in regard to the provincial share of relief. The next one is unmatured debenture debt. That shows a remarkable decrease in the debenture debt of the rural municipalities. It dropped from \$1,367,748 in 1916 to \$36,829 in 1935. You have to add to that the amount overdue, \$105,000, making altogether a total debenture debt of the rural municipalities of \$145,000.

THE CHAIRMAN: They are practically free from debenture debt.

HON. MR. DAVIS: Telephone companies and school districts have a heavy debenture debt, which will be indicated.

MR. CHAIRMAN: What do "reserves" mean?

MR. JACOBS: Portion of the general surplus set aside to take care of losses on accounts receivable or taxes that the municipalities hold as assets.

THE CHAIRMAN: You have a very large amount of reserves in 1935, \$4,922,109.

MR. JACOBS: You will notice, Mr. Chairman, we also have in the statement above that under the assets column, \$34,161,667 of accounts receivable, relief accounts receivable, and \$789,143 of sundry accounts receivable,

and all tax receivable reserves are related to these three classes of assets.

THE CHAIRMAN: Those assets probably are not very valuable.

MR. JACOBS: No.

HON. MR. DAVIS: They are mythical figures.

THE CHAIRMAN: What does "surplus" mean here? Is that the surplus of assets over liabilities?

MR. JACOBS: Merely the difference between assets and liabilities and reserves. A book figure.

THE CHAIRMAN: It is a book figure. You do not know what the real figure would be. I mean, so far as it can be estimated.

MR. JACOBS: No; it would be very difficult to estimate, because, we do not know the real value of a good many of their assets.

MR. ST. LAURENT: What is meant by "trust liabilities"?

MR. JACOBS: That is the amount due the provincial government in taxes, and also the Hail Insurance Association.

HON. MR. DAVIS: The hail tax. I shall now turn to schedule D on page 424 and look at the liability column of cities. Their bank loans, you will note, have gone up materially; bank capital loans have come down. The unmatured debenture debt of the cities is now \$41,852,075.

THE CHAIRMAN: That has gone up substantially.

HON. MR. DAVIS: Yes. That would be by virtue of capitalization, no doubt, of relief. The unmatured debenture debt of the cities has increased from 1934. In 1935 it was \$41,852,075, as I already have stated.

COMMISSIONER MacKAY: It was higher than that in 1931. It could not be due to relief.

MR. JACOBS: Some for relief work, some for direct relief, some for general purposes.

HON. MR. DAVIS: 1935 is less than 1931. How do you account for that.

MR. JACOBS: Repayment reduced it over \$500,000.

HON. MR. DAVIS: How is it, it has not increased by the capitalization of relief.

MR. GROSCH: Repayment has been greater.

HON. MR. DAVIS: Is the increase as a result of the capitalization of relief?

MR. GROSCH: Yes.

THE CHAIRMAN: The remark you make about the reserves of the rural municipalities applies also to the reserves of the cities?

MR. JACOBS: Yes, and sundry accounts receivable.

THE CHAIRMAN: The value of which you cannot estimate.

COMMISSIONER ANGUS: The reserves are more equal to the other two.

HON. MR. DAVIS: Now.

COMMISSIONER SIROIS: You have three kinds of bank loans, "general bank loans, bank capital loans, bank loans."

MR. JACOBS: There is something missed from that third heading of bank loans.

HON. MR. DAVIS: What should it be?

HON. MR. PATTERSON: Probably relief.

HON. MR. DAVIS: Yes, I think it would be loans for direct relief purposes. The cities have financed in the last two years by borrowing from banks against which they pledged money they are going to get from the government. It is merely a temporary financing expedient.

COMMISSIONER SIROIS: It is kept as a separate account?

HON. MR. DAVIS: Yes.

THE CHAIRMAN: You have "bank overdrafts". That is current account.

HON. MR. DAVIS: Yes.

THE CHAIRMAN: Then "general bank loans".
Are they loans against taxes?

HON. MR. DAVIS: Yes.

THE CHAIRMAN: What is "bank capital loan"?

HON. MR. DAVIS: That is where they are completing certain capital works, and have not quite issued the debentures. When the issue the debentures they take up the capital bank loan.

THE CHAIRMAN: "Bank loans", are loans against --

HON. MR. DAVIS: Direct relief purposes.

THE CHAIRMAN: Thank you.

HON. MR. DAVIS: I shall continue reading the brief at page 66, starting at the last sentence in the paragraph preceding the table:

"Combining the arrears of taxes, tax sale certificates and unsold tax title property of all municipalities, shows the following accumulation year by year from 1929 to 1935:

1929	\$ 22,317,560.00
1930	30,945,367.33
1931	39,320,220.92
1932	46,083,735.00
1933	51,876,291.24
1934	55,015,096.22
1935	58,784,665.46

A considerable proportion of arrears of taxes consists of amounts in tax sale or the corresponding valuation of property to which title was acquired through tax sale proceedings. In urban municipalities, particularly in towns and cities, the total assets represented by tax title property are of very doubtful value as they consist for the most part of outlying subdivided property which will have little sale value for perhaps the next twenty-five years. The total valuation of tax title property for towns and cities as stated for the year 1935 may not represent the actual amount acquired as there has been a tendency in towns to value properties

at a nominal price per parcel, many times less than the value of accumulated taxes and costs, at the time the property was acquired.

Assets representing relief advances made by municipalities either from their own funds or through assistance by the government show slight increases in urban municipalities, whereas in rural municipalities the total now outstanding is almost equal to the total of uncollected arrears of taxes and amounts in tax sale. A considerable portion of such relief advances in rural municipalities is in the process of being cancelled and such cancellation will also reduce certain liabilities represented by loans from the government, and guaranteed loans from banks required to finance such relief advances."

I explained that yesterday. I continue with the brief:

"The cash position of municipalities in the Province has, of course, been adversely affected by continued drought conditions. Cash resources in all classes of municipalities have decreased considerably. To some extent this condition is offset by a decrease in current bank loans. This applies particularly in villages and towns and also in rural municipalities because of the fact that rural municipalities have enjoyed very little credit in the past two or three years and have been compelled to finance their operations without assistance from the banks.

While liabilities to banks in respect of general loans have shown some decrease, other liabilities have increased tremendously. Faced with the problem of supplying relief to farmers, the indebtedness of rural municipalities to banks and to the government for seed grain and relief loans was four times as large in 1935

as it was in the year 1921 which was the previous peak of bank indebtedness. In cities bank loans for general purposes have been increasing at such a rate that they have more than doubled in the past ten years. Liabilities to general creditors and to schools and other institutions for unpaid tax levies have increased in the case of general liabilities to an amount which in rural municipalities is seventeentimes as great as it was in the year 1926. Tax liabilities to schools and telephone companies have also increased in rural municipalities to an amount six times as great as ten years ago although rural municipalities have been using all available funds to keep schools in operation."

That is indicated in one of the charts we have looked at.

"Statement 13 contains a classified summary of investments held in sinking funds and trust funds of cities. It shows that cities have been changing their investments since 1930 from Saskatchewan School District and telephone company debentures, and from debentures of other provinces to Saskatchewan provincial debentures and their own issues. Investments in Dominion bonds show a continuous reduction which apparently is due to the fact that these investments were readily saleable at good prices and were disposed of to meet debenture maturities. The purchase by cities of their own debentures at an increasing rate since 1927 has to some extent been forced upon them because the market did not absorb debentures issued during the depression period for relief works and direct relief. A considerable proportion of sinking fund and trust fund investments still consists of debentures of certain provinces, which may place the cities in an awkward position if at the time of meeting their debenture

maturities they are unable to realize upon the bonds."

The table on page 425 shows the sinking funds of the cities. In 1927 the cities held \$626,617.65 of dominion bonds; the high peak of dominion holdings was 1930 when they held \$1,520,445.66. In 1936 that had been reduced to \$679,941, which is about the same figure as they held in 1927. The next column shows the Saskatchewan debentures held by the sinking funds of our cities. They amounted to \$3,546,470.68 in 1927 and \$9,051,552.30 in 1936.

THE CHAIRMAN: Is that because the Saskatchewan government presses them to take them or, do they take them as part of the relief contribution.

HON. MR. DAVIS: They take them on their own free will.

MR. GROSCH: The yield rates were much higher.

HON. MR. DAVIS: They apparently did not touch Manitoba until 1933 when they bought \$34,390, and jumped to \$49,677 in 1936.

THE CHAIRMAN: They seem to be pretty leary of Manitoba.

HON. MR. DAVIS: We had better look at the next column and see how good their judgment was.

THE CHAIRMAN: They chose Alberta in preference.

HON. MR. DAVIS: \$901,756.83 of Alberta bonds in 1927, and they have \$1,486,130.16 now. We then come to the column headed: "Other Provinces".

THE CHAIRMAN: They have more now than they had in 1927 but they varied a good deal in that period.

HON. MR. DAVIS: They went in heavily for Saskatchewan school districts bonds. They have a high of \$1,414,063.52 in 1930, and it is down to \$841,067.10 now.

THE CHAIRMAN: Are Saskatchewan school districts unorganized?

HON. MR. DAVIS: No; they issue their own debentures for the capital expenditures of school districts in the province.

MR. GROSCH: For the school house.

THE CHAIRMAN: That may be composed of two or more municipalities?

MR. GROSCH: Just the school district.

HON. MR. DAVIS: It is less than a municipality. There are generally twenty school districts in one municipality. That has been reduced. I presume that total improves the defaulted portion.

THE CHAIRMAN: The most striking thing is their increase in their own debentures.

HON. MR. DAVIS: Yes.

THE CHAIRMAN: Are they permitted by law to do that?

HON. MR. DAVIS: Yes.

MR. GROSCH: I may say, Mr. Chairman, as far as I am aware practically every province allows municipalities to purchase their own debentures. I have looked over a statement of the province of Ontario, and the percentage of their municipal debentures was much higher than in this province. As I said before, this depression came, and they could not find a market for their own debentures. We insisted that they should not in any case exceed about twenty per cent in the total amount of the fund, but that rule could not be kept, because there was no market.

MAYOR A.C. ELLISON: May I point out that Regina has some \$800,000 maturing next year, and we bought very heavily during this year these maturing bonds at a small discount, which, of course, was good business.

HON. MR. DAVIS: The next column is interesting, and reads as follows; "classification of investments held in sinking funds and trust funds in default at the end of

each year". Manitoba has not defaulted; Alborta has paid only to the extent of a quarter of a million. That is interest alone, is it not?

MR. JACOBS: No.

MR. GROSCH: They did not pay the principal at all. They pay half the interest.

HON. MR. DAVIS: Other provinces have not defaulted. School districts are in default to the amount of \$536,815.76. That is our own school districts. That means 75 per cent of the school districts held by the sinking funds of cities are in default. Telephone companies have from time to time increased the amount in default. Is the \$100,000 in excess of the indebtedness as shown in the tabulation? What does the last column mean "default in their sinking fund."

MR. GROSCH: I will give you an illustration. The city of Weyburn while they are paying or have been paying the debentures held by the public, they do not pay on the debentures in their own fund. That is why they are shown in default here.

HON. MR. DAVIS: I continue with the brief on page 68:

"The defaults in investments held by the sinking funds of cities as set out in statment 14 shows that such defaults are confined largely to Saskatchewan school district and rural telephone company debentures, and to the debentures of the Province of Alberta, as well as a small proportion of the cities' own debentures.

The debenture indebtedness of all classes of municipalities has decreased, although in cities this decrease relates only to the past few years. Actually the decrease in debenture indebtedness is greater than that indicated by Statemcnt 12 as that statemcnt shows the gross unmatured debenture debt before sinking funds

are deducted. Deducting sinking funds available for redemption of debentures, the net debenture debt of all municipalities and other public or quasi-public institutions in the province is set out in comparative form in table VII. The indebtedness so set out includes both principal and interest in default and accrued interest on coupons in default."

Table 7 is a comparative statement of net debenture debts after deducting sinking funds available for redemption of debentures.

Table 8 shows the net per capita debt in respect of the debenture liability of the municipalities for a number of selective years from 1921 to 1935.

The amount of debenture coupons in default by municipalities, school districts, and telephone companies in the province has increased progressively since 1929. Table 9 shows the increase to the end of 1935 by classes of municipalities and other institutions.

MR. ST. LAURENT: Does the net debt include the debentures issued for self-supporting utilities.

MR. GROSCH: Electric light, yes.

MR. ST. LAURENT: Of which there is substantial portion in this decrease.

MR. GROSCH: Yes.

HON. MR. DAVIS: These debentures are not segregated, just part of the general debenture debt of the rural municipality. There are 105 in default. This is an accumulated figure, is it not? In the case of villages there are \$93,000 odd in default; in case of towns \$525,000 in default and in the case of cities \$147,000 odd in default, which would be default in their own debentures, their own sinking funds.

MR. JACOBS: That is largely made up of interest, due

to the fact that Swift Current has not paid.

MR. GROSCH: Swift Current had defaulted in the payment of its debentures and had arranged settlement with its creditors by which it was to pay 3 per cent interest instead of the coupon rates, but it was unable to live up to that arrangement and has been paying 1 per cent instead, owing to the heavy burden of relief.

HON. MR. DAVIS: So far as other cities in the province are concerned, they are not in default.

MR. GROSCH: Very little, Weyburn is in default now and Moose Jaw.

HON. MR. DAVIS: The table also shows the school districts are \$2,725,000 odd, and rural telephone companies \$2,624,000 odd. I now come to summary and conclusions, which read as follows:

A study of the material submitted and the comments made thereon leads to the following conclusions:

(a) The severe curtailment of expenditures on maintenance of public works during periods of depression, while necessary to relieve the taxpayer results in such rapid deterioration of the assets that repairs ultimately cost many times the amount previously required, or results in shortening the life of the asset.

(b) The cost of financing municipal expenditures until taxes are collected in the summer or fall is too great. Western people have not become sufficiently established to meet taxes and other obligations from accumulated savings.

(c) Accumulated arrears of taxes have reached a total so large that several years of reasonable prosperity will be needed to reduce the obligations of taxpayers to a normal sum.

(d) The cost to the west of financing debenture loans has been excessive.

(c) The issue of relief debentures by cities, while admittedly unavoidable, is unsound. It not only postpones the fatal day of reckoning but results in a crushing burden due to progressively accumulating debenture charges. It may be noted that in the City of Swift Current where direct relief debentures could not be sold, as high as fifty per cent of the tax levy was absorbed by the city's share of relief. In this city there was a default on a contract rate of debenture interest fixed at three per cent. Eventually the city could pay only at the rate of one per cent.

(f) Many social services, such as provision for public health and sanitation and caring for the indigent, are so essential that they can be curtailed only at the risk of impairing the health and well-being of the people.

(g) If the trend in the direction of state medicine continues, the present municipal tax structure can scarcely be expected to support the burden. A national health insurance scheme would seem to offer the only solution.

(h) It is evident that real property is bearing too large a share of the burden of taxation. Property taxes are extremely high in relation to rental income, and as a consequence real property offers little attraction to investors. In many municipalities the tax burden is so heavy as to involve the gradual confiscation of real property."

I do not think there is anything I can add to what Mr. Grosch has said. We will be up against an impossible situation, unless there is relief for the real property holders in the urban centres. I continue with the brief:

(i) In school districts, during the depression years,

the tax burden of maintaining adequate educational facilities has resulted in curtailment. There is a considerable variation among school districts in this respect due to differences in the taxable value of land. There are similar variations among municipalities. The government feels that it must consider the feasibility of withdrawing from the field of land taxation, or in the alternative, utilize the proceeds of the Public Revenues Tax for the purpose of equalizing the burden of taxation among school districts and municipalities. This would result in the tax being used exclusively to assist the local governing bodies in providing social services which they are called upon to take care of. No definite policy has been formulated in this regard."

That is a very interesting section, Mr. Chairman; In its relation as between the municipalities of the province and the government of the province the public revenue tax is the only land tax imposed by the government of this province on land. We feel the effects of the policy of the province should be to get entirely out of the field by repealing the tax in its entirety, or if the tax is left and continues to be imposed, the funds should be taken from our revenues and utilized for the purpose of the municipalities. We have in mind the day when that might be used for one, two, three or more different purposes. We have not finally fixed the policy in that regard. It might be used for the purpose of increasing school grants, and equalizing school grants in the province by giving a higher grant to the weaker school districts, and thus equalizing the burden of the cost of education. Or we might do something in the way of evolving a system of municipal grants from that just as this Commission is charged with the duty of trying to evolve a scheme of equalizing conditions as between the

governments of the dominion. We might evolve some scheme of equalizing the conditions as between the municipalities of the provinces by utilizing funds such as that as an equalization fund for the purpose of making municipal grants for equalization purposes.

THE CHAIRMAN: It is undoubtedly a very important matter as between the provinces and the municipalities.

HON. MR. DAVIS: Yes.

THE CHAIRMAN: It is not important from the particular point of view of our investigation.

HON. MR. DAVIS: No.

THE CHAIRMAN: The policy you pursue in that regard.

HON. MR. DAVIS: Except when you ask us to recommend certain things, we ask you to bear in mind we in turn have claims upon us, and we should like to get sufficient relief in order to enable us to pass some of that relief on to the municipalities.

THE CHAIRMAN: Quite.

HON. MR. DAVIS: I now continue with the brief:

(j) A social service such as direct relief can be supported wholly by the municipalities only so long as the number receiving this service is very small. In 1930, when the cost of direct relief had increased to the extent that government assistance was necessary, it is estimated that about two per cent of the population of the cities was on relief. Under present-day social values the granting of direct relief to those rendered destitute through unemployment or crop failure must be regarded as a social service. It is submitted that, with reference to the principles already postulated, it is a social service that should be assumed by the national government.

(k) A measure of relief for the municipalities would result from the adoption of national schemes of health and employment insurance. The variable nature of incomes in the province points to the adoption of the insurance principle as far as possible. A workable scheme of crop insurance would go far in the direction of solving the fiscal difficulties of the municipalities.

(l) The municipalities have been unable to discharge their responsibilities in an adequate manner despite the fact that the province has assisted to the extent that financial resources permitted. The budgetary position of the municipalities must be considered when estimating the fiscal needs of the province. A reduction of the tariff burden, resulting in an increase of the net income of the farmer, would leave a large margin for the payment of taxes. The municipal problem of finance would be eased thereby.

C. THE BURDEN OF DEBT.

The net debt of the Province of Saskatchewan expressed as a per capita burden, is one of the highest among the provinces of Canada. Ten years ago the burden of debt so expressed was one of the lowest. The municipal debt of the province, on a comparative basis is not high.

For the purposes of a comparative study the per capita burden is almost meaningless unless some regard is had to capacity to pay. Capacity to pay depends on wealth and current income. Estimates of the wealth of the several provinces are particularly unreliable, especially in the absence of evidence as to the manner in which the supposed wealth is to be made available for the use of the government concerned.

Annual production or annual income offers some evidence of capacity to pay. A comparative study of the

combined provincial and municipal debts of the various provinces in relation to the income of the provinces has been made on behalf of the government of Manitoba for submission to this Commission. No useful purpose will be served by including a similar study in the submission made on behalf of Saskatchewan. The results of such a study, however, do give some evidence of comparative burdens if certain allowances are made. For instance it is probable that the figure published by the Dominion Bureau of Statistics as the net debt of this province is somewhat low in that the deduction for revenue bearing assets is too large. Such a study moreover does not take account of investment income, a much smaller item in Saskatchewan than in most provinces.

By the method referred to above a tremendous debt burden is indicated for this province on the basis of the incomes of recent years. If the combined provincial and municipal debt is expressed as a percentage of income of the people of the province, the public debt burden of Saskatchewan is seen as the highest among the provinces. Indeed it would perhaps be more proper to express income as a percentage of debt, since the latter has exceeded the former on several occasions since 1930. During the year 1937 the income of the people of Saskatchewan has declined to a new low. The net public debt is probably two or three times greater than the total income of the people of the province.

Such comparisons are interesting and useful, and the Commission will no doubt be in a position to draw very definite conclusions after receiving detailed information from the various provinces. From the standpoint of the government of Saskatchewan, however, the problem is a very definite one, and a direct approach

is suggested.

The debt has been contracted, what is to be done about it? The vital question seems to concern the capacity of the province in the present and the future to retire the debt and at the same time secure to the people an adequate standard of living. The past is important insofar as it gives evidence of what may be expected in the future, the debt burden must be estimated with reference to what the future holds for us.

In a latter part of this submission it is proposed to forecast the future of the province in the light of such information as is available. The public debt of the province can then be considered in relation to the probable capacity of the province to provide for its retirement without sacrificing the welfare of the people.

That the public debt of the province is a serious burden cannot be denied. Current quotations on the securities of the province indicate that, in the opinion of the investing public, the debt is beyond the capacity of the province. As has been pointed out the major portion of the public debt has been contracted since 1929. This factor must be kept in mind. The economy of Saskatchewan contains the elements of hazard to a high degree. Plans for the future must provide for insurance against these hazards. "

The majority of these statements will be subject to review in subsequent sections, Mr. Chairman.

THE CHAIRMAN: We will resume at 10.30 in the morning.

The Commission adjourned at 4.30 p.m.
until 10.30 a.m., Saturday, December 11, 1937.

ROYAL COMMISSION ON DOMINION PROVINCIAL RELATIONS

REPORT OF PROCEEDINGS

DEC 11 1937

Official Reporters:

H. E. Oliver
T. S. Hubbard



REGINA, SASKATCHEWAN, DECEMBER 11, 1937

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ROYAL COMMISSION ON DOMINION-PROVINCIAL RELATIONS

REGINA, SASKATCHEWAN, DECEMBER 11, 1937

The Royal Commission appointed to re-examine the economic and financial basis of Confederation and the distribution of legislative powers in the light of the economic and social developments of the last seventy years, met at the Legislative Buildings, Regina, Saskatchewan, on Saturday, December 11, 1937, at 10.30 a.m.

PRESENT:

HON. CHIEF JUSTICE NEWTON W. ROWELL...CHAIRMAN

DR. JOSEPH SIROIS)	
JOHN W. DAFOE, Esq.)	
DR. ROBERT ALEXANDER MacKAM)	Commissioners
PROFESSOR HENRY FORBES ANGUS)	

Commission Counsel:

Louis S. St. Laurent, Esq., K.C.

Secretariat:

Alex. Skelton, Esq.	Secretary
R. M. Fowler, Esq.	Legal Secretary
Wilfrid Eggleston, Esq.	Assistant to the Secretary
Adjutor Savard, Esq.	Secrétaire Français

FOR THE GOVERNMENT OF SASKATCHEWAN:

Hoh, W. J. Patterson	Premier
Hon. T.C.Davis	Attorney General
F.C.Cronkite, K.C.	Dean, College of Law
J.R.Taylor, C.A.	Supt. of Revenue
T.A.Lax, F.C.A.	Provincial Auditor
G.W.Myers, Esq.	Regina
Mayor A.C.Ellison,	Chairman, Local Government Board
S.P.Grosch, K.C.	
L.Jacobs, C.F.A.	Municipal Affairs.

FOR SASKATCHEWAN ASSOCIATION OF URBAN MUNICIPALITIES

Alderman A. M. Eddy	President
Mayor A. C. Ellison	Regina
Mayor R.M.Pinder	Saskatoon
Mayor Harris Johnstone	Moose Jaw

FOR SASKATCHEWAN ASSOCIATION OF RURAL MUNICIPALITIES

B.J.McDaniel, K.C.	Counsel
J.J.McGurran, Esq.	Secretary.

Legislative Buildings,
Regina, Saskatchewan,
December 11, 1937.

MORNING SESSION

The Commission met at 10.30 a.m.

HON. MR. DAVIS: Mr. Chairman, dealing with the municipal debt problem, the Local Government Board of the province, of which Mr. Grosch is the Chairman, made an examination into the affairs of the city of Moose Jaw in May of this year, and I thought it might be of use to the officials of the Commission, at all events, if I should file a copy of his report in connection with the matter.

THE CHAIRMAN: Thank you, we shall be glad to have it filed as an exhibit.

EXHIBIT NO. 47: Report by the Local Government Board of Saskatchewan into debt problem of the city of Moose Jaw.

HON. MR. DAVIS: I should also like, Mr. Chairman, to file a map showing the relief areas of the province from 1929 to 1936 during the period of drought, as it also might be of interest.

THE CHAIRMAN: Yes, thank you.

EXHIBIT NO. 48: Map showing the relief areas of Saskatchewan from 1929 to 1936.

HON. MR. DAVIS: We had concluded last evening, Mr. Chairman, the provincial representations in connection with municipal finance, and the understanding was that the municipalities themselves would proceed with their brief this morning. I would ask that Alderman Eddy, of Saskatoon, who is the President of the Association of Urban Municipalities take charge from here on this morning and indicate those who will speak.

THE CHAIRMAN: Thank you.

ALDERMAN A. M. EDDY, of Saskatoon, was called.

SASKATCHEWAN URBAN MUNICIPALITIES ASSOCIATION

ALDERMAN EDDY (President of the Saskatchewan Urban Municipalities Association): Mr. Chairman, and members of the Commission, I happen to be President of the Urban Association of Municipalities, which represents 8 cities, 82 towns and 382 villages, representing a population of 280,000 people out of a total population of 930,000 in the province. While not all the urban municipalities are members of our Association at the present time, due to economic conditions, most of them have been, and we believe that we are representing their views. The executive of our Association, hoping to conserve the time of the Commission, instead of having a number of representations by individual municipalities, appointed a committee consisting of Mayor Ellison, of Regina, Mayor Harris Johnstone, of Moose Jaw, and our secretary-treasurer Mr. Hodge, of Moose Jaw, to draft a brief setting forth the views of our urban municipalities as a whole.

Mayor Ellison will discuss the brief with you, and Mayor Pinder, of Saskatoon, and Mayor Johnstone, will comment briefly on certain phases of it.

I wonder, Mr. Chairman, if I might be permitted a little personal reference. I happen to be a Labour Member on our city council, and appearing before Commissions such as yours is a novel experience for me, but I want to say, sir, that the friendly way in which you have listened to the delegations that have appeared before you has turned what I at one time thought would be something of an ordeal into somewhat of a pleasure.

THE CHAIRMAN: Thank you.

ALDERMAN EDDY: I should like now to call Mayor Ellison, of Regina, who will deal with the brief of our

Association.

MAYOR A. C. ELLISON (Regina): Mr. Chairman and members of the Commission, in the first place I think the city of Regina and our sister municipalities would like to be associated with the sentiments that were expressed by our Premier in his address of welcome to you on the opening of your sittings here in Regina.

In order that the Commission may understand something of the background of this presentation, I would like to point out that our municipalities in Saskatchewan are presenting a brief which is not the opinion of any individual or group of individuals but represents those points upon which all the municipalities of Saskatchewan, whether cities, towns or villages, are united.

Municipalities consist of people from all parts of Canada. They have been settled by people from every province of Canada. We have a large number of people from the Maritimes; large French-Canadian settlements; the greatest number of our people possibly come from Ontario; we have people from British Columbia and our sister prairie provinces; we have also people from every part of the British Empire; we have people from practically every country in the civilized world living within our cities. All these people, Mr. Chairman, despite their differing racial origins and early backgrounds, despite their different philosophies and education, live together within our cities in peace and harmony, and together they help to build up their communities and make them a happy place in which to live. I feel it is the desire of those citizens whom we represent that this spirit of unity should be carried forward

into our national life.

But we also feel that there is a condition precedent to that being done, and that is that the terms of association should be set up on a foundation of justice and equity such as exists in our cities to-day, because unless there is a Confederation based upon the fundamental principles of justice and equity, it cannot long survive without discord; and our people are looking to your Commission with hope and confidence that, as a result of your investigation, you will make those recommendations to the government of our country which will create a condition of harmony and justice within our constitution so that the people of this country may indeed be united into one nation.

Coming now to the brief, our President has already pointed out that our association represents some 471 urban municipalities, and in our first paragraph, which I understand your Commission has read, we deal briefly with the history of our municipalities.

EARLY HISTORY OF URBAN MUNICIPALITIES

In the first place it is only natural that as these municipalities were created during a period of land settlement, they were little more than distributive centres and bodies to which the provincial government could delegate certain duties, but as time went on they became places in which large amounts of money were invested, and the present situation, as the Chairman of the Local Government Board pointed out, is that we are not merely confiscating the homes of our people through taxation, we are not merely confiscating the buildings that have been erected by industries, by lending companies and by banks, but we are also confiscating the money of those

people who have loaned money to us in good faith upon the security of our revenues. The Chairman of the Local Government Board certainly did not overstate the case when he pointed out that it is only a question of a comparatively short time before the cities will cease to collect taxes and will collect rents. To-day in the city of Regina we are collecting more rents than taxes; that is to say, we have had to attach the rents of properties, the rents of those properties that do not pay the taxes, and all the rents of the year do not pay the taxes. Only the day before yesterday I attached the rents of an apartment block, and upon examination of the revenues I found that if they paid outgoings they would not pay the current year's taxes.

THE CHAIRMAN: Mr. Mayor, can you give us the figures--you said you were collecting more rent than taxes--of the approximate number of properties on which you are collecting rents in order to pay the taxes?

MAYOR ELLISON: I shall endeavour to let the Commission have early next week a full statement on that, but at the moment I believe we are collecting rents from about 800 properties to-day.

EXTENT AND CHARACTER OF ORIGINAL MUNICIPAL SERVICES

In paragraph No. 2 of our brief we point out the extent and character of our original municipal services. We point out that these original services were such things as streets and sidewalks; teachers were also necessary, and as the settlements grew, other necessities arose, such as water supply systems, the disposal of garbage, the provision of sewage, street lighting, police and fire protection. At that time, as we point out, land was increasing very rapidly in value, and there was

no difficulty in collecting the taxes we had based upon capital values on account of the continual earned increment in those days.

We further point out in the same paragraph that our revenues under those conditions being more than necessary for our basic needs of service to property, the provincial government invaded our field by way of the public revenue tax, which as you realize, is a tax upon land.

MORE SOCIAL SERVICES ADDED

In paragraph No. 3 of our brief we point out the addition of social services. We point out the necessity in a new country of taking over and providing hospitalization. Large numbers of people were flocking into the cities and requiring hospital treatment. In the older settled lands the hospitals had been built up over many generations by private donations, but these conditions did not prevail in a new country, and therefore the municipalities were under the necessity of providing these services which in the older countries had largely been supplied out of charitable donations. But with the rapid increase in land values and the high capacity of people to pay in those days, there did not seem to be any objection to the municipalities entering that field.

We point out that only naturally the hospitals were involved in deficits, but on account of the conditions I have mentioned, these deficits were able to be met out of general taxation.

THE CHAIRMAN: At the present time are practically all your hospitals municipally owned?

MAYOR ELLISON: The hospitals in Saskatchewan practically fall into two categories---these owned by the municipalities and those which are provided by the Roman Catholic Church. The bulk of them, of course, are muni-

oipally owned, but the Roman Catholic Church has done some very fine work in the field of hospitals.

THE CHAIRMAN: Thank you.

MAYOR ELLISON: As time went on, we found that there was a great decrease in our taxation base. As I have already pointed out, the public revenue tax had been inaugurated, which invaded our fields of revenue, and in 1930, under stress, the province took away from us our municipal income tax, which further decreased our revenues.

DECREASE IN TAXATION BASE

The provincial and federal governments had buildings and business within the municipalities, and in addition to that the railroad companies owned large tracts of land, and these buildings and businesses and lands were all exempt from municipal taxation.

COMMISSIONER ANGUS: Had the municipal income tax actually been levied before 1930?

MAYOR ELLISON: Yes, prior to 1930 we had a municipal income tax, which was taken from us at that time.

These buildings, of course, required extensive services not only in the way of streets and sidewalks, but they meant an increase in police and fire protection and an increase in a number of other services. But we did not receive any contribution from them.

The assessments in those early days were, of course, very greatly inflated due to the speculative character of the dealings in land, and we received large amounts of money from people who were really holding land for speculation, which very substantially added to the revenues which came from the improved properties, which were really the only revenue producing properties in the

city. In fact, at one period the taxation from land which was really held for speculation and future development yielded higher revenues than the whole revenues which were derived from property which had a definite revenue bearing capacity.

CARE OF THE INDIGENT ORIGINALLY A MUNICIPAL RESPONSIBILITY

In paragraph No. 5 we draw attention to the fact that the care of the indigent was a responsibility of the municipality. Indigency in those early days was considered to be the case of a man who arrived in the city, who had no shelter and no clothing beyond what he wore, and no means of obtaining food, no personal property of any kind at all, because any one else who possessed personal property, or had a shelter, was able through his own efforts or by the assistance of friends or by borrowing on his assets to take care of himself.

The amount of indigency was very, very light indeed in those days. It required at the most in a city like Regina a few thousand dollars a year, which could well be carried as a social service of a charitable nature either direct by the city or by subsidizing some charity which would look after these people. It did not constitute any problem, and therefore there was no particular objection on the part of the cities to it. We thought it was beneath our dignity in connection with a small problem of that kind to go and ask the Superior government to take charge of cases of that kind and set up an elaborate administration to deal with it. It was not realized at that time that the care of the indigent would be made the excuse for saddling the cities with a burden which they were totally unable to take care of.

CARE OF THE INDIGENT MADE THE EXCUSE FOR SADDLING UN-
EMPLOYMENT RELIEF ON URBAN CENTRES.

In paragraph No. 6 we draw attention to the fact that this care of the indigent by the cities was made the excuse for saddling unemployment relief on the cities. In the early days the odd case of unemployment was in the same category as indigence. Nobody bothered about it. They gave the unemployed man help for perhaps a week or two, and then he found employment, and that was the end of it. But when 1930 came, we found there was immediately a tremendous increase in unemployment. In addition to the nation-wide depression we had a season of poor crops, and we found that there were large numbers of people thrown out of work. They came to the city, relying on the precedent that had been established in former years, and our costs rapidly amounted to such alarming proportions that we were forced to apply, in the first instance, to the provincial government for aid.

THE CHAIRMAN: That was in 1930?

MAYOR ELLISON: In 1930, yes. In 1931 and 1932 the problem had become so grave that the province, the Dominion and the municipalities then proceeded to try and solve the unemployment problem by a work-and-wages programme. Many useful works were done, but I would point out to you that these works were not of a self-liquidating character.

THE CHAIRMAN: What was the general nature of them? Roads?

MAYOR ELLISON: Roads and bridges, and in the case of Regina the clearing out of the lake, laying down of sewer and water pipes to serve localities that we expected might be opened up; in other words, doing capital

work which we would not normally require for a number of years ahead.

THE CHAIRMAN: And which perhaps has not been required?

MAYOR ELLISON: No, they have not been required since, at all. The ~~Senior~~ governments paid 70 per cent of the cost of that, and the municipalities paid 30 per cent. The ratio of tangible results to money expended did not show a ~~sfavourable~~ proportion as would ordinarily be obtained under normal conditions of construction. You will realize that at that time particularly there were large numbers of people, professional men, business men and clerks working at common labour. Everybody was lumped into the common pool.

In 1932 it was realized that the policy was costing a large amount of money, and the Superior government intimated that it would have to be discontinued.

In 1932, 1933, and 1934 the governments tried the "Back-To-The-Land" schemes, and they returned settlers to the land principally in the northern parts of the province. Those settlers were very carefully selected. They were limited to people who had had previous farming experience and who it was expected would make good. We found ourselves, as a consequence, in the unique position of using the money of the urban municipal property owner for colonizing land hundreds of miles away from our own city. But in spite of the great care in selecting the settlers, these schemes did not on the whole prove very successful, and for several reasons. One of them was that there was not a sufficient amount of money advanced really to settle the settler. A second was that the land on which he was settled was in some cases ill

chosen because the settler was allowed to choose it himself. A third reason was that there was no proper scheme of supervision. Many of these people returned to the city, and a lot of them came on relief and are still on relief in the places to which they went. A certain proportion of the settlers made good and successfully re-established themselves, but only after undergoing hardships comparable to those of the early pioneering days. However, that dealt with only a very limited and select number of cases. The majority of the people who were out of work were city people, and if we had attempted to send them out to a farm colonization scheme, it would have been most disastrous for them, for us, and for the Superior governments.

After 1932, the tripartite works plan was abandoned, and the authorities reverted almost exclusively to direct relief. Two-thirds of the cost of food, fuel, clothing and shelter for the unemployed was paid by the Senior governments and the other one-third by the municipality concerned.

I feel I must point out that in our opinion an extraordinary psychology seemed to pervade the Superior governments. The contention of the municipality was that there are five necessities of life--food, fuel, clothing, shelter, and medical care. In fact, even in mediaeval days medical care was recognized as a part of charity and was administered, and it was just as impossible for us to refuse medical care to a man who was dying of a very serious disease, as it was for us to refuse him food. Food, fuel, clothing and shelter was no good for a man who was dying of appendicitis and required an immediate operation. But in spite of our contentions at that time and ever since then, the charge of medical

care has been thrown entirely upon the urban taxpayer.

In addition to that, we were expected to pay the full cost of administration. Of course, in the days before we entered upon this system of direct relief, the cost of administration was practically nothing, because one of our regular officials in his spare time could look after any relief that had to be administered, but to-day this administration costs considerably in excess of one mill, to provide for the administration of relief alone in the city of Regina, and the same situation applies in every urban centre in the province.

THE CHAIRMAN: In your own city, Mayor Ellison, what staff do you find it necessary to employ in the administration of relief?

MAYOR ELLISON: I think we employ at the present time 31; at one time we actually got as high as 75, but that number was considerably reduced by greater efficiency, and we have now got down to 31. We could reduce the number to 20, but only at the cost of doing without the services of investigators, and you will realize that if you administer relief without rigid investigation, it will very rapidly become abused and become nothing more than a racket.

THE CHAIRMAN: Would you mind telling us, Mayor Ellison, whether generally speaking it is being efficiently administered?

MAYOR ELLISON: Yes, I would say it is. As far as administration costs are concerned, even making allowance for what these Senior governments must have to spend in providing us with funds, we are administering at 4 per cent. I would say this, that the percentage of people who obtain relief and who could possibly get along without relief

is under 10 per cent.

THE CHAIRMAN: Under 10 per cent?

MAYOR ELLISON: Under 10 per cent. You will realize, sir, that if you make your rules so drastic that nobody can get relief who is not absolutely entitled to it, you would have ten per cent of the people who absolutely need relief, not getting it. You must allow a certain small margin. At the same time our rule is that anyone who is found abusing relief in any shape or form is immediately prosecuted. We had four cases only last week.

THE CHAIRMAN: Do the same rules and regulations apply in all urban municipalities, as in the city of Regina?

MAYOR ELLISON: They would apply in the three larger cities, and in addition, the provincial government exercises a certain amount of supervision. In our relief office a government official sits at the hearing of all cases, and generally he has an absolutely free hand to investigate everything. There is not only a continuous audit, but a continual investigation of individual cases being undertaken by a provincial government man. That applies, I think, in the three larger cities. In the smaller cities they have travelling inspectors checking relief.

THE CHAIRMAN: Is there any Dominion government official checking in your city office?

MAYOR ELLISON: No, Mr. Chairman. That is a matter between the province, of course, and the Dominion.

The cities, then, very rapidly found themselves in this position. They were deprived of certain revenues and had a shrinking tax base, because under the conditions that prevailed in the depression the speculative property

disappeared from the taxable base and reverted very rapidly to the cities, and we found our revenues were practically confined to improved property. In fact, property no longer produced taxes. It was impossible to finance in the case of the larger cities from current revenue, and therefore we resorted, as has been pointed out, to the practice of borrowing from our sinking fund, which of course everybody admits is very unsound, but it was the only place where we could borrow.

Our relief problem became very considerably aggravated by reason of this fact, that people on farms who were advancing in years and were in ill-health, and who had lost their savings as a result of a succession of crop failures came into the city--not all of them, only a small percentage, but from our point of view a largenumber of people. They sold up what little equipment they had left, abandoned their farms, and came into the city and lived and endured great hardships and suffering for one year within the boundaries of our city without receipt of relief at all, and at the end of that time they came upon the city for relief. In other words, they entered into the receipt of what was practically a social pension, but it had to come out of the property of our urban taxpayers, and it is, of course, coming out of the investment of our debenture holders too. Obviously that was not a charge which was ever contemplated would be thrown against real estate in cities.

MEDICAL CARE--THE REGINA PLAN

Now I must deal, because I have been asked to do so by the Hospital Association and the Medical Association, with the question of medical care. Originally the cities were by the city Act under the obligation to provide medical care for any indigent who had been within the boundaries of the city thirty days; that was in cases of emergency.

As the numbers on relief increased, we found that this expense was becoming very heavy , and we got to the point where it was impossible to discriminate between emergency and non-emergency cases. We found that by holding off a case and not giving treatment until the case became emergent, we ran into, looking at it from a purely financial standpoint, . . . greater costs than if we had given the necessary medical treatment in the first place.

Therefore some two years ago we introduced what we call the Regina Plan in our city, and it has since been introduced in many other cities in the west, whereby under agreement with the Medical Association, they provide what is virtually full medical attention, and we have found that the providing of that care costs less than what we were having to pay out by way of emergency treatment. Of course, you will realize that the doctors, under that plan, are getting just about 20 per cent of their normal bills.

THE CHAIRMAN: What is the general basis of your agreement known as the Regina Plan?

MAYOR ELLISON: It is this: Any person on relief--and I would point out, Mr. Chairman, that it includes not only our own cases but also the dependents of ex-service men on government pensions, and includes people like old age pensioners who are indigent from the point of view that they cannot provide for their own medical service--it includes a great number of people who are not responsible for the ordinary food, fuel, clothing and shelter. These people register at our Health Office. They receive there a card which they can take to any doctor; they choose their own doctor. At the end of a month the doctors who have been attending to these relief cases send in their bills. We

contribute the sum of \$2,500 a month to the Medical Association, and a Committee of that Association meets and goes through each doctor's bill to see that it is a proper bill, and they allow them a percentage of that \$2,500, which may amount to anything from twenty to thirty-five per cent of the doctor's ordinary fees. But there is this limitation, that no doctor can receive more than \$100 a month. So you will see that some of the younger doctors whose practice is largely relief cases get a very, very slim income, just enough to struggle by on.

THE CHAIRMAN: It seems like a very sound and sane arrangement.

MAYOR ELLISON: In addition to that, we found that we had to provide hospitalization for a large number of these people, and we had to pay to our own hospital the standard rate of fee, but of course, that was just helping our own hospital to keep going. You will realize that in Saskatchewan, the Saskatoon hospital, for instance, serves the whole northern area, and the Regina hospital the whole southern area. People come into these hospitals from other municipalities. Originally when an indigent came in from a rural municipality to Regina Hospital, the rural municipality guaranteed his account, and we gave him hospitalization, but as the depression proceeded our outstandings from municipalities rose to the gigantic sum of \$180,000, and to-day our total outstanding on hospital account is over one-quarter of a million dollars.

THE CHAIRMAN: Is that for the Regina hospital alone?

MAYOR ELLISON: That is for Regina alone, and Saskatoon shows a very similar picture.

THE CHAIRMAN: That is the amount due by various municipalities to the hospital in Regina, which means ul-

timately the City of Regina?

MAYOR ELLISON: Ultimately the city of Regina.

THE CHAIRMAN: For hospital services rendered patients from various municipalities outside?

MAYOR ELLISON: That is correct, sir. Of course, the government at the same time assisted us to the extent of fifty cents a day, but when I tell you that hospital costs in both Regina and Saskatoon, apart from capital charges or interest, which the city pays from its own revenues, amount to over three dollars a day, you will realize what a heavy load it is on the taxpayer; and it became necessary for us to refuse to take these people in. We could not do it. But we found many cases that were so emergent--that is to say, the man is dying on your doorstep--that you cannot refuse to take him in, and yet it is a case which has nothing at all to do with the city, and the cost of looking after that case is saddled on to the urban property owner.

The influx to the city not only costs us money for relief and hospital and medical charges, but it also aggravated our school problems. We estimate that in Regina at the present time one of our large schools would barely be sufficient to house the children of these people who have moved in because of the distressed conditions in the south. Up to 1935 we had been paying one-third from our property tax, but in December, 1935, the grants-in-aid of the Dominion to the province were increased, and this province immediately passed the increase on to us by paying 80 per cent of the cost of relief from that grant-in-aid, and we have had to bear the other 20 per cent.

We point out in the brief what has always been pointed out by municipalities both in eastern Canada and

western Canada, that we feel that the entire cost of the administration of unemployment relief is a federal responsibility. We feel that what is happening is this, that the cost of unemployment relief is being saddled upon one class or property. As I have earlier pointed out, we are confiscating the homes of the people. In other words, we are reverting to a system of public ownership of real estate, and the next step which is being already taken in some cities and will eventually ^{be} taken in all, is the confiscation of the money of those people who in good faith loaned us money, namely, our debenture holders. We feel that this cost should be equitably distributed over the whole Dominion, that not one or two classes of property alone should be selected to bear the brunt of this form of social services.

Perhaps I might give you an example, Mr. Chairman, putting the shoe on the other foot. Suppose the federal government were suddenly to reverse its policy and say, "We will permit western Canada to exchange her grain for goods," and suppose we had a large crop in this province. We send it all to Europe and get back a large quantity of goods, which we proceed to sell all over Canada, thereby creating a terrific amount of unemployment in our own industries. Under those conditions would it be fair to say that the citizens of Toronto or Montreal must bear out of their real estate the cost of unemployment created by that national policy? I contend no, that the burden should be distributed over the taxpayers of the whole Dominion, and that we who are gaining by such a policy should certainly bear our share of the cost. It is a question of the base of taxation, and the taxation base of any city is necessarily so narrow that we cannot equitably distribute the

load.

EMPLOYABLES AND UNEMPLOYABLES

Then on page 13 of the brief we deal with the suggestion of a separation being made between employables and unemployables, and with the suggestion that the unemployables be made a charge upon the municipalities--going back to the old business of indigency. I think it is interesting in this connection to point out that 400 of our cases have been on relief since 1930, and 1200 have been on relief since 1933. The bulk of these men are either farmers or common labourers. After five years of complete idleness, which was necessitated by the policy of direct relief, their physical condition has become such that they could not economically be put back to work. That is to say, a man between forty and fifty years of age when the depression started might have gone on working for perhapstwenty years if he had remained in his normal employment, but five years of complete idleness has made him physically unfit. We contend that we must admit that he is unemployable but certainly he is not the type of unemployable that should be saddled upon the municipalities.

THE CHAIRMAN: Mayor Ellison, at our Winnipeg hearing the contention you are now making was presented to us but it was directly challenged by another witness, Mr. Macnamara, who was concerned with the administration of relief, and he said that he had found from actual experience that a man who had been on relief for a period of years when put back to work, while, of course, he could not do a full day's work at the start, was able in the course of two or three months, and in some cases two or three weeks, to become again an efficient worker. He entirely disputed the proposition that being unemployed

for a few years made a man unemployable.

MAYOR ELLISON: Mr. Chairman, we have conducted very extensive experiments in this connection, and it might be interesting for the Commission to know the results. We have found that with those in the age category of between twenty and thirty, there was no difficulty. After a month of more or less light work, they were as good as ever they were. Those in the category between thirty and forty years of age took longer to get back into shape. It took at least three months of light work to get them to the point where they were really 100 per cent men in the labour market. But when we get men over forty, and we tried them working in our own city departments, we found that only a very small percentage became really efficient again to the degree that any employer in industry would want to hire them. So while it is true of the younger men that they can become as good as ever they were, it is not true of the men over forty who have been on relief for some years.

THE CHAIRMAN: My impression is, and I speak subject to correction, that Mr. Macnamara said that his experience was different with respect to the older men from that which you have given us. I think he said that even the older men, after a period of lighter work, became efficient workers again.

MAYOR ELLISON: That again depends. It is not true of unskilled labour, but it is true of a skilled workman. A man who is a skilled carpenter or a skilled tinsmith can be brought back, but as far as common labour is concerned, it is absolutely untrue. The man over forty can never be brought back, and I think the mayors of other cities who have had experience with the problem will agree with me. I would ask Mayor Pinder, of Saskatoon.

MAYOR R. M. PINDER (Saskatoon): We have had a works scheme in effect in Saskatoon this year, and I was quite surprised to find the finest group of workmen I have ever seen on any project work on that scheme and put everything they had into it. It makes a lot of difference if they feel they are doing something useful. Unfortunately some of our relief schemes have been works that should have never been undertaken. It is hard to judge the capabilities of a man because when they are working with a shovel at a job where a scraper would do the work of twenty men, the incentive is not there. We have found that after the men get to forty-five, it is a little harder to bring them back, but my own personal feeling is that a lot of these men that we consider unemployable to-day can be employable again.

MAYOR ELLISON: But they need rehabilitation work first, and as we say in the next paragraph, industry has a very considerable responsibility in this regard.

(Page 1520 follows)

It was found, particularly in the early days of the depression, that in all the cities industry was allowing men to go on relief the moment they wanted to do so, and it was felt generally in the cities that industry should be made to assume more responsibility, whether by unemployment insurance or otherwise for its employees.

I have noticed in our city a trend in the other direction; because the larger employers are recognizing the responsibility and are endeavouring so to arrange their work as to keep men in fairly steady employment. In recent years there has been a marked improvement in their attitude.

THE CHAIRMAN: I suppose that the opening of this new plant of General Motors will give employment to a good many men who have hitherto been out of work.

MAYOR ELLISON: It will, Mr. Chairman.

THE CHAIRMAN: Have you any idea how many men will get employment?

MAYOR ELLISON: It will employ, I understand, approximately four hundred men; and they are endeavouring to arrange their work in such a way that the men will be employed, not as in the past for a few months, being then let out, but permanently. They are so designing their scheme of operations as to employ the men the year round.

And now we call attention in paragraph 7 to the very serious problem that faces us, and that is the destruction of credit. May I point out that the debt which was created for relief purposes was a factor in the destruction of credit.

It is quite obvious at the moment that any person contemplating investing his money would be very

foolish to lend it to any city at any low rate of interest, because there are so many better securities that are available to him; for he realizes, he must realize if he does lend his money, and if present policies are continued, that he will lose both capital and interest.

You may have noticed, when the government was presenting its case, that there was a distinct reduction in the debenture debt of the cities; that is to say we are owing less now than at the beginning of the depression.

That, I contend sir, is not a healthy sign; on the contrary, it is unhealthy. It is due to the fact that we have had to allow our public works, including utilities, to fall into a state of disrepair. We should have been borrowing in order to maintain those works in a state of efficiency, and it will ultimately cost more to do such work as may be necessary than if it had been done when we should have done it.

Moreover, it has aggravated the unemployment situation. The city has not been able to carry out the normal work that should have been done, even to the extent of repairing assets which we at present own. And on that we have based our case for assistance from the government, by guarantee or otherwise, with a view to establishing credit so that we may carry out such work as is absolutely essential.

Take for example our power plant, which produces almost a quarter of a million towards city revenues; as a result of a long struggle, we have got enough money out of the sinking fund to put that in reasonably good shape; otherwise we should have completely lost that utility and the consequent revenue, with the result

that another quarter of a million of a burden would have been thrown upon the taxpayer.

In paragraph 8 we state clearly our opinion that social services such as are considered by the people of Canada to be necessities must be carried by the superior governments. The municipalities have no tax base which will enable them to carry more than their proper services. We cannot carry on social services unless they are confined to the sum of a few thousand dollars, as for instance indigency prior to 1930.

THE CHAIRMAN: What do you include in social services -- those social services which you say should be carried on by the superior governments?

MAYOR ELLISON: There are two principal ones. We take the view that unemployment relief and debt assistance should be regarded as a matter affecting the nation at large, because one person suffering from any illness which is communicable is a liability to the whole nation. One person who is hungry and starving may commit a crime in Regina, or he may go to Ottawa or to Vancouver or some other city and break the law; one person may spread an infection from one city to another. These services are essentially national and we submit that we must cooperate -- we realize that, and I know that our province realizes it -- in adjusting that system. But ultimately it must be provided for from a national source of revenue.

THE CHAIRMAN: Unemployment relief and the medical care of the unemployed -- is that what I understand you to embrace under that heading?

MAYOR ELLISON: No sir; I would go a little farther than that. When I speak of unemployment relief and assistance in this connection, I am referring to the

aged and sick. It really embraces another category. Take the aged; we believe that by health insurance and old age pensions that class can be taken care of. There may be the odd exceptional case which the municipality would look after itself, but we feel for the moment that until insurance is instituted this problem of unemployables and unemployed must virtually be lumped together and taken care of to some extent out of national revenues.

If there are only a few people in proportion to the population, very well; the city can look after them for the time being. If in a province there are only a few unemployed and one city is heavily hit, the province can help that city. But where there exists a condition such as we have in Regina we feel that it is a national matter and should be taken care of out of the revenues of the nation; and as far as administration is concerned, we believe that the nation should administer the undertaking. We would, however, cooperate and render all the assistance we could, but only as agents of the Dominion Government.

THE CHAIRMAN: Do you think that unemployment relief could be as efficiently and economically administered by the Dominion as it is now being administered by the provinces and the municipalities?

MAYOR ELLISON: No sir; I doubt if it could. Experience in other countries shows that centralization has greatly increased the cost of administration. I do feel however that a plan could be worked out whereby satisfactory results could be achieved. Let us say that there is a very small amount of unemployment -- perhaps a dozen people in a population of 50,000. The community can take care of them. Suppose the number increases to

500; the province then steps in and contributes half and places an administrator in the office to cooperate with the city officials. But let us suppose the number mounts still higher, until there are 25 per cent of the population involved. When that stage is reached, I contend that the Dominion should step in, leaving the local administration to function, but placing their own supervisor in charge of the work. That, I suggest, would be the most efficient plan; that is to say, they should leave it to the municipalities and yet control operations by a close supervision.

THE CHAIRMAN: Of course, you could hardly expect the Dominion to provide all the money without seeing that the administration was both economical and efficient.

MAYOR ELLISON: Oh no; I absolutely agree to that. I contend that if the city provided the whole thing, then the city should have the whole say; if the province contributes it all, the province should have the whole say; and likewise if the Dominion contributes the whole of it it should have the whole say. But where the problem has reached the proportions it has to-day, I suggest that the Dominion should make the whole contribution and definitely control matters through their own supervisor. We would lend our assistance but merely as their servants, their agents, contributing the value of our local experience in dealing with the situation.

COMMISSIONER MacKAY: In the past the Dominion has consistently refused to deal directly with the municipalities.

MAYOR ELLISON: Yes.

THE CHAIRMAN: Do you feel that it should reverse its policy and deal with the municipalities, or should it, as at present, deal with the municipalities through the

province?

MAYOR ELLISON: I would say this. As a normal arrangement, I believe that the Dominion, possibly, could deal best with the municipalities through the province; but under exceptional conditions such as prevail in the province of Saskatchewan, I am of the opinion that we are faced with a problem which is too big for the cities and the province, and the Dominion should come in and take it over.

COMMISSIONER MacKAY: You would make a distinction between relief administration in ordinary times and administration under emergency conditions?

MAYOR ELLISON: Yes, that is right. In ordinary times, I believe the province should be in control; but under these conditions I feel that it is a national emergency which should be met by national action and control.

Paragraph 8 merely stresses these points, indicating the impracticability of the municipality widening its basis of taxation.

In paragraph 9 we lead up to our final representations, urging that the tax upon land should be limited to services to land.

We point out in paragraph 9 the serious situation which arises in connection with housing. The money is not available to build houses. An investor would be foolish to lend money to build houses in Regina under the present relief policies, just as he would be foolish to lend money for debentures.

The present state of things is resulting in great delapidation in houses and in unsanitary conditions which are producing a problem for the municipalities.

We are laying up a store of trouble for the future in the shape of children who are suffering from certain defects due to unhealthy conditions, and that problem arises largely from the impossibility of attracting private capital to engage in building in any shape or form, with the result that unemployment in the building trades must inevitably continue.

In my opinion, we have done a very serious thing in this and other cities of the province. We have sent back to Great Britain many of the finest workmen we had in Canada, and they have gone back into steady employment there; and when the time comes that there is need for building in this country we are going to feel the lack of these skilled workmen.

We point out in paragraph 10 that, in our opinion, exemptions of Crown and railway properties, and buildings, should be removed and these properties taxed. For example, take such businesses as the express companies, which are competing with our own taxpayers, and the provincial government sale of liquor. All these people are using our streets and services, competing with our taxpayers, and making it more difficult for them to carry on their business; and yet not a cent is being contributed to the municipal revenues for the services thus made use of.

THE CHAIRMAN: You speak of the railway companies not contributing anything to the municipal revenues in respect of these services. Is that because the province taxes them? So far as the railway companies in this province are concerned, there is no general exemption from taxation.

MAYOR ELLISON: So far as the city is concerned, the railways, under our City Act, are exempt from taxation.

The province in its brief draws attention to the fact that, owing to the arrangements made when they came here, the province itself cannot tax them. It would not matter greatly whether the city or the province levied a property tax so long as we received such a share as would compensate us for the services we render these companies.

THE CHAIRMAN: Mr. Davis, what is the position with respect to railway lands within the city?

HON. MR. DAVIS: When this province was formed in 1905 provision was made removing from the municipalities the right to assess railway lands or buildings. We have no right to levy local taxes on railways or anything having to do with railways. That was left exclusively within the control of the province -- that field of taxation. As will be indicated in our brief, by reason of certain exemptions which were guaranteed to the Canadian Pacific Railway at the time it was formed, there is no possibility of our getting any appreciable amount of railway taxation from these companies. We are getting nothing comparable to what is secured by the other provinces. We have to treat the Canadian National Railways the same as the Canadian Pacific Railway, and the amount we get from the Canadian Pacific Railway, or the amount they are willing to pay is small in comparison with what they pay elsewhere.

THE CHAIRMAN: We will take that up when we come to your taxation proposals. I merely wanted to bring out the situation so far as the municipalities are concerned.

ALDERMAN EDDY: May I interrupt at this point, Mr. Chairman, to say that Mayor Pinder of Saskatoon would like to speak very briefly to one section of the submission.

THE CHAIRMAN: Has Mayor Ellison finished?

ALDERMAN EDDY: No; he will have something further to say.

THE CHAIRMAN: We will hear Mayor Pinder.

MAYOR R.M.PINDER(Saskatoon): My remarks will be brief, Mr. Chairman, because I believe that the whole picture has been very well shown to you here, and I think I should at this time congratulate the Hon. Mr. Davis and those who helped him in the preparation of this presentation, because as far as I know he has left no field uncovered. There are however one or two matters which I have been asked by our Committee to bring to your attention.

Some people, I suppose, would say that the whole picture is one of gloom; and when you read that brief I daresay that can be said. The question may be asked, therefore, "Why do the people of Saskatchewan hang on and stay here under these conditions?" Well, I suppose I could answer that by saying that we have been here for quite a long time, and some of us are wondering what is going to happen next.

In connection with the refunding loan, I might say that our council some time ago passed the first resolution on the subject and I presented it to the Jacoby Commission.

We felt at that time that, in view of the fact that Saskatchewan and its municipalities were having such a difficult time trying to finance, something would be done about it, if not then, at any rate before we were through with the whole problem.

Mr. Davis has presented the situation very well, and as he has pointed out, it is impossible for the province of Saskatchewan to pay the debt which it owes and

for the municipalities to carry on under the system under which they are now operating. Sometimes we have wondered, those of us who came from Ontario, perhaps from Toronto, where I happen to have come from, why there has been such a disparity in the cost of money as between different provinces.

When we were paying five, six and seven per cent out here, we noticed in newspaper reports that in the east they were getting money at around three and three and a half per cent, and it seemed at times that, presumably because our credit was not as good as that of the eastern provinces, we were being severely penalized. And that reacted still more unfavourably upon our credit; it made it still worse.

In the city of Saskatoon -- I will not mention it more than once or twice; I will refer to it only in connection with the refunding -- we have purchased for our sinking fund \$3,235,000 of the debentures of the province of Saskatchewan, and no doubt you can readily see that if an adjustment were made for the province, leaving out the municipalities, we would be broke immediately; we would have no alternative.

The taxpayers in this part of the country, and particularly, I know, in our city, have put up a brave fight to make their payments. They have tried to pay to the full. But we are battling against odds, and if it should happen that the municipalities are left out, Saskatoon will be immediately broke, because, as I say, we have \$3,235,000 of Saskatchewan bonds.

COMMISSIONER ANGUS: As I understood Mr. Davis' suggestion, it was that the refunding would mean that the bondholder would be offered payment at par if he chose.

MAYOR PINDER: Yes.

COMMISSIONER ANGUS: If you received that, your sinking fund would be intact.

MAYOR PINDER: Yes, if we received it. In the province of Alberta, a year or two ago, they arbitrarily cut interest rates -- and it shows you where sometimes the inequities exist. For instance, the city of Saskatoon held \$650,000 of Alberta debentures, and the taxpayer of the city of Saskatoon has been penalized \$18,000 a year, which we have had to raise in excess of what it would have been necessary for us to provide if this action had not been taken in that province. One province takes this arbitrary measure and it creates a hardship on municipalities elsewhere, penalizing those who have been good enough to buy these bonds for their sinking fund.

As regards old age pensions and mothers' allowances, I should like to say a few words on this important subject. Owing to the drought condition and the inability of the cities to finance their operations, and in consequence of the province and the Dominion cutting down on old age pensions a year or two ago, and the amount provided for mothers' allowances, we have had to subsidize practically all of these services, except in certain cases. Where there are only two people, both on old age pension, they receive \$30. Where there is one in the family getting the old age pension, and there is just man and wife, we have to give relief; and where there is a family we have to contribute still more.

So far as Saskatoon is concerned -- and I believe that other cities are in the same position, except perhaps Moose Jaw and Swift Current where there has been so much

difficulty -- we believe that we could carry on if the government would give us a refunding loan on a basis of not over three per cent, and give us also a refunding of the amount of moneys we have had to pay for relief, keeping in mind the fact that we have always regarded the problem as a national one that should be taken care of on that scale.

The picture is not as bad as one would believe after listening to a discussion of the facts for two or three days. In our sinking fund we have about \$700,000 of capitalized relief. Had we had work and wages, had we had works going on as we have always had, taking the past seven years or even four years in the city of Saskatoon, if we went back and capitalized the sum we had already paid, the amount in our sinking fund would have been equivalent to the amount of money we would have had to pay for the works programme in normal times.

In the average year prior to the depression we had a programme of from \$700,000 to \$1,000,000 in public works and in each year the contributions to the sinking fund were increased accordingly in proportion. Actually, therefore, over all the years of stagnation, we have added the equivalent of one years' possible capital works construction in the form of direct relief debentures.

THE CHAIRMAN: What is your total debenture indebtedness, and what is the total amount of the sinking fund?

MAYOR PINDER: The total indebtedness is \$16,000,000, and the sinking fund \$7,000,000. We have had to provide certain social services, and while some people think we have overdone it, I would point out at the same time that we have led the way in the treatment of

tuberculosis and in some other fields of public health. At the same time, most of our other social service standards have been set by other provinces, who were probably more able to pay. And one province must have a standard which is the equivalent of the standard that obtains in other parts of Canada, because the people demand it.

May I say now one word with respect to real estate? In the city of Saskatoon -- and I believe the proportion will be shown to be about the same in other cities -- owing to non-payment of taxes we have been forced to take back about 32 per cent in area of all real estate -- that is, land.

THE CHAIRMAN: I suppose that by far the larger part of that is unoccupied?

MAYOR PINDER: Oh yes.

THE CHAIRMAN: You surveyed out quite a distance around the city?

MAYOR PINDER: A good deal of that went back to the original owners, but some of it is in that category. In large part, it consisted of lots which people bought and held and then found it too expensive to carry. Our assessment has been cut by a million and a half dollars.

THE CHAIRMAN: What is your present tax rate?

MAYOR PINDER: Our tax rate in Saskatoon is approximately 45.5.

THE CHAIRMAN: That includes all social service?

MAYOR PINDER: Yes. In Saskatoon, by very careful administration, the civic portion, controllable by the City Council, has dropped each year now for three or four years; but the schools present the great problem in this part of the country, the cities having been built so quickly. When you remember that Saskatoon is only about thirty years

old, you will see what a tremendous amount of money we have had to spend for educational purposes, all in a period of a few years. That explains why the mill rate is so high.

MR. ST. LAURENT: What proportion of improvements is included in the assessment?

MAYOR PINDER: Sixty per cent. That is all I have to say this morning, Mr. Chairman, except for a note which has just been handed to me. With respect to the property that we took back -- I am referring to the figure I gave you a moment ago, the 32 per cent -- most of that was done with the consent of the property owner. But we have in Saskatoon, as there are in other cities, a large number of people who all their lives have been trying to pay for their homes, and I think you will agree with me, sir, that such people make the best kind of citizens. That is good citizenship.

THE CHAIRMAN: Undoubtedly.

MAYOR PINDER: The difficulty to-day is, however, that some of these people have been out of work for seven years and have hung on, having even cancelled insurance policies. They are proud, and with such people we have the greatest amount of sympathy. They have hung on to their homes until to-day they find themselves with clear titles. I have sat in a court of Revision and I can tell you that we hear some stories of great hardship. Some of these people to-day are faced with taxes amounting in some cases to \$1,500.

We have not been taking these properties away from them, and in Saskatoon we do not intend to take them away from such people where there is no lien against them. We have little control over properties in respect to which there are loans outstanding, but we feel that when people

are growing old we cannot very well deprive them of their homes, particularly those who have struggled all their lives to gain possession of those homes.

Some people who have been in the province for a number of years still believe in the future. A few crops, they are confident, will help them. Indeed, one crop will help materially, two crops a great deal more; and if we could get the same sort of crops that we got a few years ago it would be of enormous benefit. But with all these crops, if we did get them, the debt is so large to-day that we shall be obliged to look for outside help, as indicated in the provincial brief.

THE CHAIRMAN: While this year has been very bad in Saskatoon because of the crop failure, in the adjacent district last year it was not so bad.

MAYOR PINDER: This is our first complete failure in thirty years. But remember that for four or five years wheat was commanding about only 20cents a bushel. It got down to 35, but there is 18 cents for freight rate and handling charges. As a matter of fact, the farmers, though they have produced wheat, have lost money each year; and the more they produce the more they lose, because the expenses are too high.

That has been the real difficulty; even though we had crops we had no price for them. If we had had a crop this year with the price we had, there would have been a different feeling through the country.

Some people wonder that individuals in the province are not more gloomy; but we have learned in this country to accept certain things and we are not going to allow ourselves to become gloomy because this is a provincial and municipal matter, this matter of taxation; and if it

can be adjusted there is certainly, in my opinion, plenty of hope for the future.

THE CHAIRMAN: Do you wish to continue now, Mayor Ellison?

MAYOR ELLISON: In paragraph 11, Mr. Chairman, we point out the necessity of readjustment and refunding. In other words, even if we were relieved of the cost of relief and health services for the future, we would still not be out of the woods, and in our opinion one or both of two methods should be followed -- that is to say, in some cases one method and in other cases perhaps both. We believe that the debt that has been accumulated for relief purposes and the deferred maintenance and upkeep charges in connection with capital structure which has been impaired should be refunded. Alternatively, we point out that if we cannot obtain that, or if it is not adequate, the Dominion and the province should combine to assist us, so that we may refund all this debt that has piled up, and do so at a reasonable rate of interest.

We fully realize the implications and the difficulties inherent in this. But after all, as representing our taxpayers, we feel that this situation has not been caused in any way by any imprudence on our part but rather by national policies, and that some way, either by means of grants or by the taking over of debentures that have been sold in connection with our sinking fund, or by some method of refunding at a lower rate of interest, provincial and Dominion guarantees should be worked out so as to enable us to return to solvency. That is what we are seeking.

COMMISSIONER DAFOE: Are plans A and B alternatives, or do you want both?

MAYOR ELLISON: Our idea is that they should be used

according to need. In other words, in some cases the situation is so drastic that even if the government took over everything, and even if they gave guarantees with respect to some of the moneys already spent, there would still be need for some refunding provisions.

In our city, the taking over of relief debentures which amount to \$1,100,000 at the present time, would be sufficient to restore us to solvency. In other cities, that would not be adequate. I refer particularly to those who have not capitalized relief but have destroyed all their assets and everything else in an endeavour to meet present human needs. They may require both of these methods. But in regard to most of them, one or other method would be sufficient.

If on the other hand, in our city, the government said, "We will guarantee your debentures and assist you in a refunding scheme; call in your creditors and we will give certain guarantees", we could get out of the difficulty. We feel that each municipality must be dealt with on the basis of need.

THE CHAIRMAN: Is that not a matter primarily for the provincial government to deal with the municipalities? We foresee great difficulties in any plan that would involve the Dominion in the refunding of municipal obligations. There would be difficulty in the case of the province, and very great difficulty in respect of municipal obligations; and the Dominion could not borrow at the figure you suggest.

MAYOR ELLISON: Of course, so far as that part of our brief is concerned, we are really supporting the scheme proposed by our province. Our province cannot help us at the present time, and that is why we are urging this. If it were in the power of our province to assist

us we have no doubt they would; but it is not within their competency until the Dominion Government assists them to such an extent that they in turn can help us.

In addition to supporting the provincial brief, we are asking for certain constitutional amendments, and we are asking for these in order to protect our property owners and debenture holders and those who carry on industry in our cities. We are seeking to protect them from any situation of this kind arising in the future.

We submit that the British North America Act should be amended to provide that the sole right to tax land, improvements on land and the occupancy thereof within the boundaries of an urban municipality shall belong to such urban municipality; in other words, that our revenues, so far as the land tax is concerned, should be guaranteed, by the Constitution, freedom from invasion either by the province or by the Dominion.

THE CHAIRMAN: Have you succeeded in obtaining the consent of the province to that proposal?

MAYOR ELLISON: That, sir, is a direct request from the municipalities to your Commission. We ask secondly that the revenues derived from such taxation shall be reserved to the urban municipality concerned for the sole purpose of rendering services relating to land, improvements to land and the occupancy thereof within that municipality.

THE CHAIRMAN: Is it not inevitable -- whether one relishes it or not, and I suppose that most of us have at least a small piece of land -- that the main burden of municipal taxation should rest upon real estate?

MAYOR ELLISON: Yes.

THE CHAIRMAN: And is it not also inevitable that the municipalities should perform certain services that

have no immediate relation to real estate? Take for example the police organization and the medical care of indigents such as you have mentioned. Are there not many services which a municipality to-day performs for all the citizens within its boundaries, irrespective of whether they own real estate or not? Must not that continue in the future? As an owner of real estate in the city, I know that I should be glad if my taxation were reduced. But is it not inevitable that real estate should bear the brunt of municipal taxation for whatever municipal services are required?

MAYOR ELLISON: It is quite true that the people of a municipality might decide to join together and provide services not directly related to land. But what we are really driving at is this. We feel that those services should not be imposed upon us as a duty by a superior government, whether provincial or Dominion, because this so-called depression has shown us that they can be imposed to the point where it is no longer a question of municipal taxation but of the municipality confiscating investments.

THE CHAIRMAN: I quite agree with that. Municipal taxation should never reach the point of confiscation; that is to say, there should not be imposed such a burden as would result in confiscation -- and no doubt the burden on real estate is very heavy at the present time, not only here but in all the cities and towns in Canada. It is exceptionally heavy here, no doubt, because of the unfortunate conditions that have prevailed in this province; and if there is some way of lightening that burden it should be done. But to say that no burden should be placed upon real estate apart from that which

is entailed by services to real estate, is I am afraid an impossible proposition from a practical point of view.

MAYOR ELLISON: That may be true, Mr. Chairman, and perhaps that clause should be modified. But at the same time there should be certain definite safeguards. We feel that there is a danger within our Confederation of a province being driven by certain circumstances to desperation, and such a province might impose upon a municipality burdens which would be tantamount to confiscation. We are of the opinion also, not so much as regards our own municipalities as in respect of large ports like Vancouver and Montreal, that these cities have a definite place within the nation altogether independent of the province within which they are situated. In fact, we ourselves are in such a position by reason of a variety of investment from different parts, and that is altogether apart from the province itself. If the urban centres are to prosper, investors must be protected from the imposition of burdens which are outside the municipal scope. We feel that some commission or judicial authority might be set up to determine what social services the municipality should properly carry on, but we do suggest there should be some greater measure of protection than we have at the present time.

The final request is that it made be made constitutionally possible for urban municipalities to levy a municipal tax against all Crown and railway property and all subsidiary or proprietary businesses conducted by the federal or the provincial governments or the railway companies, which are constituted and conducted in urban municipalities.

That of course is very wide and of necessity was drafted in very broad terms. But we feel, in the case of

the businesses I have alluded to, which are carried on in competition with our own taxpayers, that it is manifestly unjust that we should not be able to tax all forms of Crown and railway property.

In fact, we are considering at the moment whether we cannot change some of our services from a taxation base to some basis of charge in order to obtain some compensation for what we are actually doing to-day.

THE CHAIRMAN: There is no doubt a very great deal to be said in favour of the proposal that all governmental business enterprises, under whatever names they are operated, should bear their fair share of municipal taxation and be subject to such taxation the same as other properties. And railway property normally does. Apparently however you are operating under exceptional conditions in this province in so far as railway property is concerned.

MAYOR ELLISON: That concludes our brief, Mr. Chairman. I have just one more word to say in conclusion. The brief as presented by the urban municipalities and the brief presented by our province are no more a true statement of the facts than the sun dogs we see in our western sky are a true reflection of the sun.

Unless your Commission could actually travel through the country in blizzards with doctors getting \$100 a month, or accompany the ill clad teacher to his school-house, unless you could plough the land with the farmer and after that see his field of grain blown away, these facts and figures must remain cold and dry. But I feel that your Commission, with your rich experience of life, will give earnest consideration to the representations that have been made and will try to relate these cold statistics

to the real human suffering that exists in our province to-day.

THE CHAIRMAN: I think I may say. Mayor Ellison, on behalf of the Commission, that we thank you sincerely for your very clear and vivid presentation of the case for the urban municipalities. If statistics and facts could be made to live you have made them live.

ALDERMAN EDDY: Possibly I did not make myself very clear, Mr. Chairman. Mayor Johnstone of Moose Jaw, who wrote the major portion of our brief -- and as an association we are proud of the work that our committee has done -- would like to comment on one or two phases of it.

MAYOR H.S. JOHNSTONE (Moose Jaw): The four major cities of the province, Moose Jaw, Regina, Saskatoon and Prince Albert are the only cities that have not paid the entire cost of relief out of current budgets but have capitalized part of the cost each year. Moose Jaw is the third largest, having a population of approximately 20,000. Ordinarily, in dealing with the case of the cities, from one end of Canada to the other, your Commission would probably not give very lengthy consideration to a city with such a population, because there are so many other cities that are so much larger. But Saskatchewan is a vast province with a great potential annual production, and the urban centres in the province are comparatively small in relation to the size of the country and its possible production.

Moose Jaw, although a city of only twenty thousand, does, I believe, occupy a position of some considerable importance in the province, just as Ottawa and Toronto are of considerable importance in the province of Ontario. As I said before, we have at the present time and approximate population of twenty thousand people. I am speaking about Moose Jaw because I am supporting the brief; nevertheless Moose Jaw is in a slightly different position from the other four cities. Since 1930 we have, I believe, been in the rather unique position of having the largest industrial production of any urban centre in the province. Our industries are nearly all native industries. Some of them are somewhat small. We have two packing plants, two milling concerns, three small canneries, two refineries and quite a large stock yard. In addition to that we have, I believe, the largest railroad yards between Winnipeg and Calgary. Our trading territory since 1930 has been the drought area; consequently we feel that we have suffered more than any of the other three cities.

As proof of that fact may I remind you of the brief that was filed at the beginning of this morning's session by Mr. Davis. It was the report of the local government board on their investigation into the affairs of the city of Moose Jaw. Last year we felt we must keep faith with our creditors. We felt a situation was approaching which would put us in the position where we would not be able to pay the interest on our obligation and the principal amounts. Consequently, we asked the government to send the local government board up and investigate the affairs of Moose Jaw to see where we were going. The board held their investigation and made a report suggesting that Moose Jaw pay 60 per cent of its interest obligations on its funded debt, and the same on its bank debt for the

period of one year. That recommendation was submitted to the creditors for their scrutiny, and they voted against it. If they voted twenty per cent against it the order became non-effective. As a matter of fact about forty per cent of them voted against it inside of a month; so that the order of the board was defeated, and the city council took it upon themselves, knowing the position they were in, to pass a resolution authorizing the civic officials to pay 60 per cent of the interest on our bonded debt and on a small part of our bank debt for a period of one year commencing on July 1st of this year and ending June 1st next year. In no case was the interest to fall below 3 per cent.

Now, the city when preparing its case before the board presented a brief. The brief, of course, reviews the whole financial picture of the city. I have picked out of that brief only those portions which I think are relevant to the inquiry before this commission, particularly to the question of the magnitude and variety of the problem of unemployment relief. I have separated the sections, and I should like to file them with you and make a few comments on them.

THE CHAIRMAN: What is the exhibit number?

MR. ST. LAURENT: Perhaps we might put in the brief of the urban municipalities first, as this is a supplement to it.

THE CHAIRMAN: Yes.

MR. ST. LAURENT: The brief itself would be exhibit 49, and Mr. Johnstone's copy, exhibit 50.

EXHIBIT NO. 49: Brief of the urban municipalities.

EXHIBIT NO. 50: Extracts from the brief prepared by the city of Moose Jaw for the local government board.

MAYOR JOHNSTONE: These are extracts from the brief we submitted to the local government board inquiring into the affairs of the city, and is submitted as evidence to this commission. I omitted to mark anything on the front page as to what city it refers. If you mark "Moose Jaw" it will keep it separate from your other documents. This inquiry was held in March, 1937. If you will turn over to the third page in the exhibit you will see that we have set out there a recapitulation of the extent of relief expenditures in the seven years. Mayor Ellison, in presenting the brief for the urban association mentioned that this problem really started in the year 1930. In the year 1930, as you will notice from the first item at the top, we had a very small amount of direct relief, some \$6,161.38. At that time the depression was in its infancy, also the drought; and the senior governments thought they could help the situation by instituting a work and wage programme. The next item is what the city incurred for work relief, \$139,562.75. The next item is hospitalization. The total cost to the city in the first year, 1930, was \$148,739.83. The total cost to the two governments were \$114,250. In 1931 the works plan was continued, but in spite of --

THE CHAIRMAN: Mr. Johnstone, do you mean that of the \$148,739.83, \$114,250 was paid by the governments, or that Moose Jaw spent \$148,739.83?

MAYOR JOHNSTONE: No, Moose Jaw spent \$148,739.83 and the two governments spent \$114,250. In the next year direct relief climbed in spite of the work and wages programme to \$29,531.33, and the city's share of work relief was \$161,318.50, and the city charges were those people who ordinarily were classed as indigents before the depression. That amounted to \$3,160. Hospitalization amounted to \$5,000. Now, you will note there is not amount

included in there for dental and medical services. We had not instituted medical and dental services at that time. The total cost to the city in that year was \$199,009.83, and the total cost to the governments was \$416,515.83.

Mayor Ellison in his brief also mentioned particularly the works programme. Some of the work projects undertaken were not self-liquidating. In some respects they were very expensive works.

Included in the programme was a programme of rock crushing in Moose Jaw. The rock crushing was not done at a suitable site for rock crushing. The rocks had to be pried out of the prairie and taken over to a central place close by. They had to be broken by hand to a sufficiently small size to go through the rock crusher. When the programme was completed we found that it cost us and the government \$32.62 a cubic yard to crush the rock. We sold it to the city afterwards when we paved Main Street, at \$2.50 per cubic yard. That is one sample of a work and wages programme undertaken too rapidly; consequently that had a great deal to do with the change of policy by the government. In that respect we believe that the five criteria put out by Mr. Purvis in his report to the National Employment Commission by which works should be judged, are good types of criteria to be employed. I have not got them here with me but no doubt, if you peruse his report --

THE CHAIRMAN: We will see the report, Mr. Johnstone.

MAYOR JOHNSTONE: He sets out these criteria which would stop uneconomic works of that nature. In 1932 the works programme was discontinued, and we reverted to direct relief. Direct relief cost the city \$60,452.28, city charges \$8,602.51. In that year we had a higher cost for hospitalization. In that year we also became

land colonizers. We entered the farm settlement scheme. Administration costs are put in there separately; whereas in previous years they were absorbed in the other totals. We dropped from \$199,009.83 to \$89,985.79 in 1932, with the governments' share amounting to \$120,984.55. From 1932 to 1933 there was another increase in the direct relief. Direct relief cost us \$123,926.63 in 1933, hospitalization cost us \$25,000. We had to hire a medical doctor to look after relief recipients, and that cost us \$1800.

THE CHAIRMAN: Mr. Johnstone, it is not necessary to read the figures, as we have them all before us. If you wish to make any comment, all right.

MAYOR JOHNSTONE: You will see the cost of medical services and hospitalization started to climb in 1933. In 1934 medical services cost us \$8,261.56 as compared with \$1,852.14 the year before. Administration climbed a little bit, and then debenture charges came into the picture. In 1935 the cost continued to climb. In 1936 it dropped down a little bit by reason of the senior governments paying a larger share of the cost. These tables show what relief has done to the city. If you turn to the second page you will see a recapitulation for the seven years, 1930 to 1936. The table indicates that relief has cost the city the tremendous total of \$1,242,523.68. It has cost the senior governments \$1,919,040.72. Table No. 3 shows the ratio between the city's total relief cost and the municipal levy from 1930 to 1936. Now, that is not all paid out of municipal levy, and that municipal levy does not include the school levy. It shows the ratio between the two. In 1932, when we got back to direct relief, the ratio was 18.9 per cent. In 1935 the total costs represented

51 per cent of the net municipal levy. We had to capitalize, of course, part of the relief costs.

THE CHAIRMAN: That got up to 51 per cent in 1935?

MAYOR JOHNSTONE: Yes, Table No. 4 shows the particulars of relief, the high point and the low. It ranged from 12 per cent to 25 per cent. In the summer time, and particularly in September, the number on relief comes down because men go out into the harvest fields when we have a harvest.

THE CHAIRMAN: Are the men who are on relief in Moose Jaw men connected with some of these industries --

MAYOR JOHNSTONE: Yes.

THE CHAIRMAN: --or are they men who are common labourers or farmers who move in, such as Mayor Ellison spoke of in Regina.

MAYOR JOHNSTONE: Well, in part, they come from all three classes that you have mentioned, some from the industries. For instance, the sash and door factory has been shut down for some time. Some come from the railways. The transportation systems have had to lay off crews because they did not have the grain to transport; and many of them have moved in from the surrounding territory. On the next page I have attached a list which gives the figures up to date. You will notice that the first total is 4160, which corresponds to the total on relief which Mr. Parker gave you yesterday. The relief is shared three ways, tripartite relief, city relief and 100 per cent government, city administration. The total under that head is 4160. The next item is "Employment Office". They take care of singles, Chinamen, a few family heads and dependents. Then, the D.S.C.R. have a certain number of people on relief in the city. The total number as at December 10th., 1937, was 4473. The proportion of the population was 23 per cent.

The numbers will increase until February or March, 1938, when we expect it will be well over 25 per cent. You asked a question the other day about employables and unemployables. We have taken that figure of 4160 and we have dealt with the heads of families, 1209, and we have broken them up into employables and unemployables. Of the 1209 heads of families 218 are unemployables -- widows and singles, of course, are unemployables. That makes a total of 553 unemployables and 655 employables.

THE CHAIRMAN: Why do you say the singles are unemployable; is that because of their age?

MAYOR JOHNSTONE: By reason of physical infirmities they cannot work. 45.7 per cent of heads are unemployable. If you deduct the singles and the widows it leaves a balance of 25 per cent of the heads who are unemployable. When you ask what number on relief are employable and unemployable the term is subject to great variation, depending on whether you are referring to heads or dependents. You asked about the number of people moving in. At the bottom of the page we make this statement:

"Approximately 30 per cent of all people on relief in Moose Jaw moved in from the rural area since 1930."

By some subterfuge they stayed there long enough to qualify and are charges on the city. Table No. 5 shows how the taxable assessment has varied in the city. You might make a note on the bottom of the page to the effect that in the year 1913 the taxable assessment was \$51,000,000. In 1937 it had got down to the low figure of \$16,000,000. The value of the land, of course, came down from the inflated values of 1912, and 193. In addition to that a great amount of land reverted to the city, and consequently the circle of tax payers became smaller. Table No. 7 shows you the number of wholesale firms that have

left the city since 1929. Since that time 11 large firms have left, making a decrease in business assessment alone of nearly \$100,0000 and a decrease in taxes of around \$5,000. I wish to direct your attention particularly to tables Nos. 8 and 9. We made a survey of business properties to determine what relation their gross or net income bears to the taxes. Our taxes have a fixed figure, and we use that as the base figure of 100. I shall not read them all, but there are two or three I want to comment on. The first one is the Scott Block and the fourth one the Hammond Block. These are the two big business blocks in the city. The Scott Block has an assessment of \$121,230. In making these calculations we deducted operating and administrative expenses, but we did not deduct taxes, depreciation and capital charges. It showed that out of a net return of 75.6 they had to pay taxes, 100, and depreciation and capital charges over a period of four years, 1932 to 1935.

THE CHAIRMAN: If they receive only 75.6 how could they pay 100. You mean the taxes were beyond the net return?

MAYOR JOHNSTONE: Yes; that is the ratio between the two. The Hammond Building is a large block. It has 62 offices and 8 stores, and so on. There is a small block included in it. The calculations are made the same way. Their net return was 97.4 out of which they would have to pay 100 for taxes and have to pay interest and depreciation as well.

THE CHAIRMAN: I have great faith in Moose Jaw coming back. I bought a store on the Main Street forty-seven years ago for \$26.50 for taxes at a city tax sale. I sold it that evening for \$33.00. I am told that the man who purchased it, an engineer on the railways sold it in 1916, your prosperous time, for \$10,000, and there

is a very fine building on that property now. Moose Jaw was very much worse off then, and it came back after that. I should hope that conditions in the near future will bring you back to more normal conditions.

MAYOR JOHNSTONE: You probably would not want to buy it for taxes now.

THE CHAIRMAN: Not unless I could get a rapid turnover.

MAYOR JOHNSTONE: The Grant Hotel is the largest hotel in the city. They did very much better as a hotel when they put in the beer parlour. We took only one year there. Things were not very good in other years. This is the best year out of the last five or six. They had a net operating profit of 106.7, out of which they would have to pay the property tax, 100 and interest on the investment, depreciation and insurance. In Table 9 there is one particular property, the second one, to which I should like to refer. It is located at 133 to 137 Main Street. We took five years there. The taxable assessment is \$55,185. We deducted operating and administrative expenses, but not taxes, depreciation and capital charges. Now, the Dominion Life Insurance Company had a \$25,000,000 mortgage on that property, and we began to press them to pay the taxes. They sent their inspectors out and checked over the situation and decided to relinquish all claim to the building. They lost the mortgage completely, and the city proceeded to take the property over. The Dominion Life, I suppose, is like other insurance companies. It has a large portfolio of investments in municipal bonds. Naturally, they might be one of our creditors, and yet here is a situation where as a creditor of the city, as a company holding a mortgage on property in the city, they thought the situation so bad they decided to relinquish their \$25,000 rather than pay the taxes. Yet, it is only by paying taxes

that we can pay interest on the bonds which they might hold. You will notice also properties held there by the Bank of Montreal, The Canadian Bank of Commerce and the Royal Bank of Canada. The other properties are set up on a gross basis. You will see that even taking all the revenue they sometimes have not enough to pay the taxes. The total of tax title property reached more than the million mark in 1927, and at the end of 1936 it was \$2,383,900.04. That represents the total of tax indebtedness against the property when title was taken. The assessed values of the tax title property would be many times more.

THE CHAIRMAN: You have certainly established the fact the Moose Jaw is in a very bad financial condition, Mr. Johnstone. But, of course, we cannot in this Commission, take note of individual municipalities. We cannot deal with that matter. We can deal only with the relation of the dominion to the provinces. It is important, as being part of the province's case to indicate the situation of the municipalities within the province; but we cannot deal with any individual municipalities.

MAYOR JOHNSTONE: I realize that, Mr. Chairman. I just wanted to point out these two features; the terrific load of unemployment relief costs we are paying, and the present non-revenue capacity of our properties to deal with the matter and the kind of social services that our citizens have supplied, and the demands for the service. The provision for these services comes largely from one source, tax on property. The brief also shows that in the early days this land tax was used to provide essential services, services that were of particular benefit to the land and buildings. Gradually, as the trend widened, and the provincial government has provided, the number of services imposed upon the municipalities widened with no corresponding

widening in their field of taxation.

THE CHAIRMAN: Thank you.

HON. MR. DAVIS: Mr. Chairman, I do not know if you desire to proceed with the rurals this morning. It is twenty-five minutes to one and they will take an hour. They would prefer not to break their case. I was going to suggest, if it meets with your approval, that possibly -- as you want to get away on Thursday at the latest, and we have a lot of work to do -- we could extend the hours of our sessions. We could sit earlier and finish later in the afternoon, if that met with your approval.

THE CHAIRMAN: I was wondering, Mr. Davis, if we could not proceed a little more expeditiously, and yet at the same time get an even clearer view than by the detailed reading of all the portions of the brief. I believe we got a clearer view of the municipal situation by Mayor Ellison's exposition of certain features of the brief than we would have, had he simply read the brief. We shall read the brief of the province, and if you could stress the points that you think urgent and important I believe we could make greater progress and at the same time the impression would be clearer than simply from reading continuously. But it is entirely in your hands, Mr. Davis. We want to give you every opportunity to present your case.

HON. MR. DAVIS: That is exactly what I had intended to do from the point where we stopped yesterday. I felt, up to that point, we should proceed in detail. Take page 74; that refers to provincial taxation. I had no intention of reading that in its entirety. I had intended to deal with the outstanding features of it.

THE CHAIRMAN: Suppose you outline that to us now.

HON. MR. DAVIS: That section takes us to page 126. Pages 74 to 126 can be dealt with without reading them in

their entirety.

THE CHAIRMAN: Suppose you start on that now, and then we can finish it on Monday morning before the rural municipalities come on, or are they coming on first?

HON. MR. DAVIS: There are some figures I desire to utilize but I can proceed to deal with these figures for a time. Page 74 deals with provincial taxation. In the first part of it you will note that we have broken the section down to comply strictly with the terms of reference of the government of Canada to this commission. In dealing with provincial taxation we have broken down our comment on it to comply, as I have said, strictly, in A, B, C, D, and E, with the terms of the dominion reference. The purpose of this section is to indicate that we have imposed to the limit every type of taxation that is possible in this province, and that we cannot cure our financial ills by any hope of its being so done by an increase of revenue by an enlargement of the base of taxation in the province. The next section shows the nature of the taxes imposed. We have succession duty taxes, income taxes, a provincial income tax, a corporation tax, gasoline tax, public revenue tax, the land tax to which we have referred, railway taxation, education tax and miscellaneous taxes, license fees. Insofar as the succession duty is concerned there is nothing to add. From page 75 to the end of page 76 appears merely a statement of what the law actually is. There is no necessity of saying anything in that connection. We are going to make certain recommendations with respect to succession duty at a later stage. In connection with the income tax I have some figures, but I have not them at hand at the moment. I want to quote them on Monday as indicative of the amount of income tax collected. We shall come to

that at a later date, possibly. The corporation tax appears in the third paragraph on page 77. That again is merely a statement of the nature of the tax imposed. There is no necessity of going into that. The gasoline tax appears on page 81. That is a statement of the method of collecting the tax. Public revenue tax appears on page 83. There has been a full discussion of that tax here, and there is no necessity of dealing with that.

THE CHAIRMAN: I suppose the municipalities hope that you have repented of your sins and will relieve them of that tax.

HON. MR. DAVIS: Yes; we hope to do that too. That is our objective, as a matter of policy. We look to the day when we can do that, as I indicated yesterday. Railway taxation is an important section. To enlarge for a moment on what I said this morning, when the province was formed the right of the municipalities to tax railway land of all kinds was removed from them, and they have no right to tax railways or railway properties in this province. The reason for that was not altogether to retain that source of revenue to the province. That was not the fundamental reason. The reason was that the Canadian Pacific Railway under its charter was exempted from taxation for all time on its main line. It is now contended -- and this is a legal point which will ultimately have to be decided -- that not only the main line was exempt but all the charter branches to the main line. That is, if the Canadian Pacific Railway desire to build a railway in the province of Saskatchewan other than one connected with their main line they would either have to go to the parliament of Canada or the legislature of Saskatchewan to get the charter. But under their original

charter, if they were building a line attached to the main line they could go ahead and build it anywhere without it being necessary for them to procure a charter anywhere.

THE CHAIRMAN: I do not recall that that was stated to us in Manitoba.

HON. MR. DAVIS: It does not apply to Manitoba; it applies only to Alberta and Saskatchewan. That is the handicap with which we are saddled. We are the only provinces to build these trans-continental lines across Canada that gave them this concession at the expense of the people of these two provinces. That is one of the handicaps under which this province is suffering.

THE CHAIRMAN: They gave that at the expense of the future people of this province.

HON. MR. DAVIS: Yes.

THE CHAIRMAN: They were not there at the time.

HON. MR. DAVIS: They came subsequently and had to assume the burden. We have taken this field of taxation away from the municipalities, not so much to retain it for the province as it was that it would be impossible to give the municipalities the right of taxation and have any equity as between municipalities, because these municipalities on the main line or on the charter branches attached thereto, could not impose any municipal taxation by virtue of the exemption; whereas these municipalities elsewhere on the line would have that right, and it would be inequitable. Therefore it was felt that should be retained by the province. Page 84 contains section 16 of the original act which contains the exemption provision. It reads as follows:

"The Canadian Pacific Railway and all stations and station grounds, workshops, buildings, yards and other property, rolling stock and appurtenances required and used for the construction and working thereof, and the

capital stock of the company, shall be forever free from taxation by the dominion or by any province hereafter to be established, or by any municipal corporation therein; and the lands of the company in the Northwest Territories, until they are either sold or occupied, shall also be free from taxation for twenty years after the grant thereof from the Crown."

So, under that clause, the railway itself and all properties are exempt from both provincial and municipal taxation in this province. We have attempted to collect revenues from them, and I shall deal with that at a later date.

MR. GROSCH: If you will allow me to state, Mr. Chairman, municipally there is the difficulty, and I might add to what Mayor Ellison has already stated, I have had a great deal to do with drawing local improvement by-laws. Where there is a frontage tax for payments, water, sewer, whatever it may be. I have found in drawing municipal by-laws and charging the frontage for, say a pavement, in accordance with the benefit to the adjoining property, municipalities would put pavements in front of warehouses or sheds of railway companies, absolutely benefiting the railway company, but they could not charge them any tax because of this section of the act. I merely wanted to add that.

HON. MR. DAVIS: When the provinces were set up the railway companies were not satisfied with the protection accorded to them under that act. They moved it right into the constitution of this province, and in the constitution of Alberta so they would be doubly sure they would not be paying any railway tax in this province comparable to what they are paying in other provinces. Later we shall file statistics showing

exactly the amount they pay in these other provinces. The amount is tremendous. The next tax is the education tax. I shall deal with that later. I have facts I want to use on Monday. I shall now go back to the income tax. I want to make some comment in connection therewith. There is a statement on succession duties. Page 90 indicates the revenue derived by the province in each of the years mentioned there. So far as succession duty is concerned we started with \$33,000 in 1912 and received \$311,000 in 1937. The statement indicates that we cannot get very much beyond \$300,000 a year.

THE CHAIRMAN: Has there been any increase in your income tax? I noticed there has been a perceptible increase in the tax collected from 1934.

HON. MR. DAVIS: No increase insofar as income tax is concerned in the last two years. We have reduced the income tax for the lower brackets. First, there was the minimum fee of \$5.00 I think. That was taken off. There were other changes made reducing the lower incomes and increasing the larger incomes. Actually that has very little effect because, there is no such thing in this province. The increased amount is due more to efficient methods of collection, exclusively. Notwithstanding the decreased incomes of the people the amount has gone up strikingly, as you see. That is due to better collection methods.

COMMISSIONER ANGUS: Is it possible these figures show the tax collected in one year in respect of income tax should have been paid in an earlier year?

HON. MR. PATTERSON: Very small.

COMMISSIONER ANGUS: It is not retroactive at all.

HON. MR. DAVIS: Very small amount. I think I can safely say the increase in the figures is due to

better collection methods. We had been giving consideration to an arrangement with the federal government whereby the federal government would collect both taxes; but we are not so sure. We have not closed the door to that suggestion. We are not so sure that we would get as much by the federal government collecting it as we are getting from the efficient system we now have. Under the head "Corporation Tax" we show the amount collected from that source. Page 91 shows the revenues from the gasoline tax and the refunds. The gasoline used by the farmer for farming operations is exempt. The refunds indicated there are refunds as a result of the exemption. There is more efficient administration in that department, which is reflected in the amount of the refund as well.

THE CHAIRMAN: What is your gasoline tax?

HON. MR. DAVIS: 7 cents a gallon.

THE CHAIRMAN: Thank you.

HON. MR. DAVIS: The public revenue tax is a tax that the cities would like us to relinquish, and we should like to relinquish it. These are the collection under the levy. You will notice in 1937 there were \$1,728,090. In 1932 they dropped to \$1,020,674. We come to the railway tax on page 92. You will see the small amount we get. The entire contribution that both the Canadian National and Canadian Pacific make to the revenues of the province of Saskatchewan are shown there. In 1934, 1935, 1936 and 1937 they amounted to \$404,000 a year, and they do not pay anything. --

THE CHAIRMAN: Is there any limitation on your right to tax the Canadian National?

HON. MR. DAVIS: No, there is not. There is a certain limitation in that when we guaranteed their bonds we provided in our own legislation certain exemptions. It is within our own control to violate that exemption, if we

wish. Naturally that would not be done by the legislature. In any event, even if they had no exemption we feel it would be unfair to nationally owned railways to charge them full taxes and allow the Canadian Pacific Railways to go scott free, with the small amount they would be contributing. Therefore, I think it is a matter of policy in this province that the actual exemption of the Canadian Pacific Railways also means a tax on the C.N.R. You will note in 1933 the figure went up. That is due to the fact that one of the companies paid a double amount of taxes. They did not pay the year before. They paid it all in 1932. The next is the educational tax. It is estimated that tax will realize \$2,000,000 annually. I shall deal with that more extensively on Monday morning. On page 93 we discuss "Constitutional limitations of provincial taxation". I should like to read that:

"The subject of the constitutional limitation of provincial taxation may be discussed under the following sub-headings, namely:

- (1) Constitutional limitations with respect to provincial taxation in general; and
- (2) Constitutional limitations with respect to particular forms of taxation now in force in Saskatchewan."

We go on and discuss "Provincial taxation in general". We say the subject of provincial powers of taxation is dealt with by Section 92 of the British North America Act. Then we make certain comment. On page 94 we show that the provinces are handicapped in exercising their powers of taxation by having to legislate so that:

- (1) The taxation is direct; and
- (2) The taxation is within the province.

That is one of our real problems, restricted as we are

to the imposition of direct taxes. It is difficult to impose a tax of that kind that will stand assault in the courts.

THE CHAIRMAN: Is there any real difficulty save this, the desire of the province to extend its field so as to get taxation that cannot be said to be within the province, and to get taxation which in its nature is really indirect.

HON. MR. DAVIS: Yes, that is true.

THE CHAIRMAN: I know there has been a good deal of controversy and judicial interpretation of this section; but it has been in the effort of the provinces to enlarge their fields of taxation. The courts have held that it must be really direct taxation within the terms of the constitution.

HON. MR. DAVIS: Well, in actual practice, when you come to take the gasoline tax for instance, if you started to put it as strictly speaking as possibly you should do it, it would make a very difficult tax to impose and really there is some doubt right now of the legality of the tax imposed in this province.

THE CHAIRMAN: I know there are some taxes that might be of doubtful validity.

COMMISSIONER ANGUS: Do you mean if you have to frame a gasoline tax so that it would get by as a direct tax there would be inefficiency in collection in some way?

HON. MR. DAVIS: Yes, and difficult to collect. Then, on page 94 we deal with the question of direct taxation, and we give a list of cases -- it is not necessary to go into that list of cases -- where the provincial taxes have been subject to judicial interpretation and the taxes held to be direct and indirect.

THE CHAIRMAN: That is a very convenient list to have for reference, Mr. Davis.

HON. MR. DAVIS: On Page 96 appears a lengthy discussion on the constitutional aspects of Saskatchewan legislation. That has reference to our succession duty act. We do not like to advertise possible loopholes with respect to our law, but we have had to do a little in here showing you the necessity of enlarging the base of taxation from direct to include indirect taxation,

On page 98 we discuss "Income Tax". We have a great deal of trouble collecting from companies doing business in the province with their head offices elsewhere. That is indicated on pages 98 and 99. Pages 100 and 101 cover the same thing. On page 102 we deal with corporation taxation.

THE CHAIRMAN: Mr. Davis, my recollection is that later you suggest both succession duties and income taxes should be taken over by the dominion as dominion taxes.

HON. MR. DAVIS: Yes, we do, and the corporation taxes as well. Public revenue taxes are discussed on page 102 and the top of page 103. At the top of page 103 is a statement which possibly we could not make with such certainty in regard to other provincial taxes. We say: "There can be no doubt as to the validity of the public revenues tax. It is a direct tax upon or in respect of land situated in the province." We are on sure ground with respect to that tax.

I should like, with your permission, to read the reference with regard to railway taxation on page 103.

THE CHAIRMAN: Yes.

HON. MR. DAVIS: This is the reference:

"Section 24 of the Saskatchewan Act provides that "the powers hereby granted to the said province shall be exercised subject to the provisions of Section 16 of

the contract set forth in the Schedule to Chapter 1 of the (Dominion) Statutes of 1881, being an act respecting the Canadian Pacific Railway Company."

Section 16 of the contract and agreement is as follows:

'The Canadian Pacific Railway, and all stations and station grounds, workshops, buildings, yards and other property, rolling stock and appurtenances required and used for the construction thereof, and the capital stock of the company, shall be forever freed from taxation by the Dominion or by any province hereafter to be established, or by any municipality therein; and the lands of the company in the North-West Territories, until they are either sold or occupied, shall also be free from such taxation for twenty years after the grant thereof by the Crown.'

The Company places a very wide interpretation upon this exemption provision, as is evident from the letter dated 20th of June 1928, addressed by D.C. Coleman, Vice President, to the Provincial Secretary. In the course of this letter it is stated that, --- "The Company maintains and must continue to maintain that its railways in your province, and all property used in connection therewith, and all revenues derived therefrom are forever free from taxation by your province, or any municipality therein. The Company is, however, willing to make payment to the revenue of your Province in a greater sum than the amount which the Company claims it can in any way be liable to pay under the Railway Taxation Act or otherwise."

So that whatever we get is, they contend, the result of a voluntary contribution and from the goodness of their hearts.

THE CHAIRMAN: They state: "the company is, however,

"willing to make payment to the revenue of your province in a greater sum than the amount which the company claims it can in any way be liable to pay under the railway taxation act, or otherwise." Do they mean they are prepared to pay what the railway taxation act provides?

HON. MR. DAVIS: No, Mr. Chairman.

THE CHAIRMAN: I do not quite understand what is meant by that last sentence.

HON. MR. DAVIS: My understanding of what they mean is this: they are not liable for any taxation on the main line and their charter branches. In the next paragraph they state that virtually all the revenue comes from the tax exempt lines, and that therefore in the ultimate they are liable to very little taxation in this province, but they are prepared as a contribution to the revenues of the province to make these payments.

COMMISSIONER SIROIS: On page 22 you have "railway tax" and then you say, "the taxes paid by all steam railway companies for the fiscal years", and then you give a list of the different payments made.

HON. MR. DAVIS: Yes.

COMMISSIONER SIROIS: As a matter of fact that would not really be a tax. Those amounts have been paid as per agreement.

HON. MR. DAVIS: It was paid as per agreement.

COMMISSIONER SIROIS: It was not really a tax?

HON. MR. DAVIS: No. We made an agreement. The whole of Mr. Coleman's letter is on page 86. I do not know whether it is necessary to go through it. The effect of his statement is the Canadian Pacific Railway Company claims to be entirely exempt from taxation whether personal or property taxation, and that it regards

the payments it is now making annually as contributions rather than taxes.

The Company takes the further position that even admitting that the charter exemption is not wide enough to cover certain of the branches of the railway built in Saskatchewan, it has been found that only 16.3 per cent of the freight and passenger earnings in Saskatchewan can be attributed to these branches. According to this analysis the exemption is applicable to 415 miles of main line, and 1770 miles of charter branches, but is not applicable to 2141 miles of non-charter branches.

Having regard to the wide exemption claimed by the Canadian Pacific Railway, the Saskatchewan Government has heretofore deemed it expedient to accept settlement on the basis of the agreements which have been entered into from time to time. It was considered advisable to follow this course of action rather than to embark on litigation with the Company, the results of which might conceivably place the Province in a less advantageous position. Moreover, the present Railway Taxation Act, does not place a tax upon income in the usual sense of that term but rather upon the gross earnings of the railways. I presume that is based on the fact the railway rates are passed by the railway commission, and therefore any tax imposed could not be passed along to the ultimate consumer, and would therefore lose the direct character.

Although the Canadian National Railway Company is not exempt from taxation in the manner and to the extent provided for in the case of the Canadian Pacific Railway Company, nevertheless the Saskatchewan Government has deemed it advisable to treat both companies alike in the matter of taxation. It has been felt that the Government could not reasonably impose a greater burden of taxation on one Company than is applicable to the other. In

substance, therefore, the whole question of railway taxation is governed by the agreements come to from time to time.

We have tried, I might say, by some method of agreement to get the railway companies to increase their contributions to the revenues of the province. While they are prepared to make a minor increase, it is so small, it is of very little concern. They will not agree to go beyond that.

THE CHAIRMAN: It is one o'clock; we shall adjourn now and resume at 10.30 on Monday morning.

The Commission adjourned at 1.00 p.m.
until 10.30 a.m., Monday, December 13, 1937.

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